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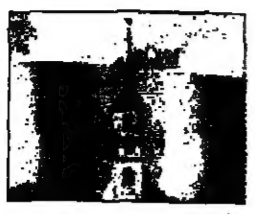

Nuclear games in Germany
Test of Schröder's drive to reform by consensus
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Former US banker brings order to VSZ
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LOW PRICES AND OVERSUPPLY FORCE AUTHORITIES TO POSTPONE EXPANSION OF PRODUCTION

China delays chemicals plan

By James Kynge in Beijing

China has postponed plans to expand production of basic petrochemicals, marking the latest blow to foreign investment in the faltering Chinese economy.

The decision is likely to delay projects worth billions of dollars.

It follows other moves by the Chinese authorities, which threaten to restrict inward investment in mobile telecommunications, retailing and insurance.

Worries about the economy prompted a fresh round of jitters about possible devaluation of the Chinese currency yesterday.

But Zhu Rongji, the Chinese premier, said the government would "continue to adhere to its policy of not devaluing the renminbi", according to state television.

Chinese officials and executives from international corporations said chronic oversupply in Asia's petrochemical markets, low product prices and financial problems at some state-owned Chinese companies had reduced the attraction of many planned petrochemical projects.

"We have had to alter our industrial policy [in petrochemicals]. The international prices are so low that it would be difficult to make money," said a Chinese chemical industry official.

Among the projects affected is BP Amoco's planned $2.5bn joint venture petrochemical complex at Jinshan near Shanghai.

Also affected is BASF of Germany's planned $3.6bn joint venture to build a large-scale ethylene cracker in Nanjing, in the south east of China.

Bryan Sanderson, group managing director of BP Amoco, said in an interview that the start of production at an acrylonitrile (a cotton substitute) facility – planned as the first unit of the Jinshan complex – might be delayed by two years to about 2003 because of unfavourable market conditions.

The rest of the Jinshan project, which is awaiting approval from the state council (cabinet), may also be put back.

BASF had been hoping for government approval for its 600,000 tonne ethylene cracker in Nanjing by the end of last year.

The company said that negotiations on the deal were still continuing and no end was in sight. But an official added: "I would not say formally that there is a delay."

Royal Dutch/Shell's $4.5bn petrochemical joint venture in the southern province of Guangdong, may also run into some delay.

The plant received government approval in February last year and was due for completion by 2003, industry executives said.

But negotiations over a joint venture contract and financing are dragging and the 2003 target date now appears ambitious, analysts said.

Jeremy Frearson, Shell's China representative, said it would probably take at least another year before financing arrangements could be made. A refinery which was supposed to be built at the plant will now "follow on subsequently depending on economics being favourable at sometime in the future", he added.

Mr Frearson said Shell was committed to the project for the long term and was enthusiastic it could make speedy progress.

Analysts said the chief cause of the delays were local partners and not the attitude of foreign companies.

Ericsson shake-up sees job losses of 11,000

By Tim Burt in Stockholm

Ericsson, the Swedish telecommunications group, yesterday announced a wide-ranging restructuring involving the loss of 11,000 jobs – or 10.5 per cent of its workforce – in a bid to keep pace with rapid change in the industry.

The company, one of the world's largest manufacturers of mobile phones and network systems, said the cuts would generate savings of SKr3bn ($388m) a year once they had been completed in 2001.

"I have to ensure that this company is in the lead," said Sven-Christer Nilsson, chief executive.

Most analysts welcomed the move, saying Ericsson was reacting to changing market conditions more rapidly than European rivals such as Siemens of Germany or Alcatel of France.

The job losses follow a surprise profit warning from Ericsson last month, in which Sweden's single largest exporter predicted fourth-quarter profits would fall 15-20 per cent short of expectations.

This week the company is expected to announce full-year pre-tax profits of about SKr18bn, compared with SKr17.2bn in 1997.

Ericsson's most-traded B shares, which have fallen 15 per cent in the past three months, slipped SKr0.50 yesterday to SKr184.

Mr Nilsson blamed the job losses on new technology that made the installation and supply of telephone switching systems less labour intensive.

Of the proposed job losses, 8,500 will be in the group's network operators division – handling the supply and installation of telephone systems – over the next two years.

Although the company described the restructuring as a global exercise, 30 per cent of the redundancies will affect three plants in Sweden.

Costs associated with the move will be taken against profits as they arise, rather than as provisions against last year's figures.

The move follows a lengthy overhaul of Ericsson's switching systems and public network businesses, where 10,000 jobs have been lost over the past two years.

Pain now, gain later, Page 22

Iraq says US air strikes hit civilian areas

By Roula Khalaf in London and Stephen Fidler in Washington

Iraq yesterday accused the US and Britain of hitting civilian areas in the southern city of Basra, as clashes over the northern and southern no-fly zones intensified.

The Iraqi News Agency reported two missile attacks yesterday morning, one on the al-Jumhuriya neighbourhood in Basra, the other on other residential quarters, the Basra airport and an oil field.

Humam Abdul-Khaleq Abdul-Ghafur, information minister, said "tens of people were injured and several were killed, among them children and women".

A US defence department spokesman said US aircraft – two air force F-15s and four navy F/A-18 Hornets – had struck an Iraqi surface-to-air-missile site north of Basra and a command and control centre.

He said US jets had been tracked by the equipment, and that Iraqi MiG 21s and MiG 23s had entered the southern "no-fly" zone. He said damage assessment was being undertaken and he could not confirm or deny the Iraqi reports of civilian casualties.

There were clashes in the northern no-fly zone as well. Two F-15s dropped laser-guided bombs on an anti-aircraft battery while two missile sites were attacked by high-speed anti-radiation missiles after an Iraqi surface-to-air missile was fired at a US plane.

In London, the ministry of defence said UK aircraft had not been involved.

Television pictures from Basra showed that houses in a poor neighbourhood had been devastated. News reports from the city said a procession carrying coffins of the dead had taken place.

Iraq has been challenging the no-fly zones since the end of last December's four-day US and British air strikes.

The incidents yesterday were the most intense since last month's attacks. They marked the third consecutive day of action against Iraqi sites.

Baghdad says the zones are illegal and are not stipulated by any United Nations security council resolution. Iraqi officials charged that Kuwait and Saudi Arabia were assisting the US and Britain in their aggression by allowing them to use bases to patrol the southern no-fly zone.

Last Saturday, Iraqi President Saddam Hussein accused Saudi Arabia and Kuwait of flooding the global oil market to enrich the US and impoverish other Arab countries. Iraq's parliament is set to hold an extraordinary session today to discuss whether Baghdad should continue recognising Kuwait.

The meeting follows the Arab League foreign ministers' call on Iraq on Sunday to stop provocative action against its neighbours and comply with UN security council disarmament resolutions.

Editorial Comment, Page 15

Basra residents survey the destruction yesterday. US missiles struck two residential areas, said Iraq. The US was assessing the damage. AP/CNNTV

Deal sought for quick end to Clinton trial

By Mark Suzman in Washington

US senators were trying yesterday to find a compromise that would bring President Bill Clinton's impeachment trial to a rapid conclusion.

Tensions were running high early in the day as Republicans and Democrats agreed to a brief delay in the trial over the Monica Lewinsky affair as they manoeuvred for advantage ahead of two critical votes.

The votes will decide whether to dismiss the case against Mr Clinton or extend the trial, as prosecutors want, by hearing testimony from key witnesses, including Ms Lewinsky, the former White House intern.

Momentum continued to grow against calling witnesses. Building on a powerful White House defence last week, Democrats initially proposed that both motions be put aside, with the Senate moving quickly to closing arguments followed by a final vote on the two articles of impeachment.

Although the plan was shot down by Republicans, several party moderates indicated that while they would vote against the motion to dismiss, they would also consider rejecting demands by prosecution managers from the House of Representatives to call witnesses. If that happens, the trial could be completed by the end of this week.

Trent Lott, Senate majority leader, said he expected the Senate to complete debate on the motion to dismiss by last night, and then open a separate discussion on whether to call witnesses beginning today before voting on either proposal.

He admitted there were still disagreements on procedures, but said he was confident they would be worked out amicably while giving Republican prosecutors an opportunity to make their case for witnesses. "The bigger picture is we're still going forward with what's required under the constitution," he said.

The White House declined to comment on proceedings, but Joe Lockhart, the president's press secretary, repeated warnings that agreeing to call witnesses could extend the trial indefinitely.

Republican House managers and lawyers for Ms Lewinsky clashed over whether having her testify would add anything new. After holding an informal interview with her, prosecutors said she could prove to be a useful witness, but Plato Cacheris, one of her attorneys, insisted she had said nothing that was not already in testimony she gave last year to Kenneth Starr, the independent counsel.

WORLD NEWS

King Hussein names eldest son as heir in place of brother

King Hussein of Jordan has appointed his eldest son Abdullah as heir, replacing Prince Hassan, the king's brother, who was appointed crown prince 34 years ago. Page 16

Olympic officials refuse to quit
The fallout from the Olympic Games corruption scandal continued as some of the six International Olympic Committee members facing expulsion indicated they would fight to stay on. **International news, Page 5**

Schröder delays nuclear bill
Gerhard Schröder, German chancellor, rode roughshod over his Green coalition partners by postponing introduction of a bill on phasing out nuclear power. **European news, Page 2**

US frustrated in banana dispute
Two tiny Caribbean banana producers frustrated US plans to ask the World Trade Organisation to authorise sanctions against the EU over its banana regime, by blocking the meeting's agenda. **Trade news, Page 4; Trade goes bananas, Page 15**

Japan's trade surplus surges
Japan's politically contentious trade surplus unexpectedly surged in December, bringing the full-year figure to a record Y13,990bn ($122bn). **Page 16**

Moscow's mayor attacks US policy
Yuri Luzhkov, Moscow's mayor, criticised US foreign policy in a meeting with Madeleine Albright, US secretary of state. **European news, Page 3**

Both Kosovo sides under pressure
Western powers applied pressure to the Albanian as well as the Serb sides in the Kosovo conflict to try to move them towards a peace negotiation. **European news, Page 2**

Adams boycotts talks on beatings
Gerry Adams, president of Sinn Féin, boycotted a meeting called by the UK government to discuss the "punishment beatings" meted out by the Irish Republican Army. **UK news, Page 8**

EU moves towards finances reform
EU foreign ministers took a step towards reform of finances by agreeing to create a reserve to help fund special merit projects in Europe's poorer regions. **European news, Page 2**

WHO demands increased funding
The World Health Organisation said it will be unable to do its job properly unless its funding is increased. **International news, Page 5**

Calls for faster Jakarta reforms
The World Bank called for speedier economic reforms before new loans could be disbursed to Indonesia. **Asia-Pacific news, Page 6**

Slovakia set for austerity package
The Slovak government is expected to approve tomorrow an economic austerity package. **European news, Page 3**

Nigeria anxious to meet donors
Nigeria's military government is anxious to meet international donors to seek funding for the country's $1.5bn financing gap. **International news, Page 5; Editorial comment, Page 15**

BUSINESS NEWS

UBS warns that cutback on risk will hit profits

UBS, Europe's biggest bank, warned that it would probably earn SFr1bn ($700m) less in 2002 than it had expected at the time of last year's merger with Swiss Bank Corporation because it was cutting back risk-taking. **Companies and Markets, Page 17; Lex, Page 16**

Citigroup co-chief executive John Reed launched an attack on the way credit cards are marketed by Visa and MasterCard, signalling that he would attempt eventually to remove their brand names from the cards his bank issues. **Companies and Markets, Page 17; Citigroup results, Page 18**

Daiwa Securities and Sumitomo Bank have joined the wave of mergers and alliances in the sector with a strategic alliance with T Rowe Price, the US financial company, to create an asset-management joint venture in Japan. **Asia-Pacific companies, Page 23**

Deutsche Bank is racing to complete its $10.1bn takeover of Bankers Trust in time to avoid being caught in a US regulatory freeze related to the millennium bug. **Companies and Markets, Page 17**

The proposed $35bn merger of Astra and Zeneca, the Swedish and UK pharmaceutical groups, was opposed by Sweden's small shareholders' association whose members hold 11 per cent of Astra's shares. **European companies, Page 22**

Shares in Pathé, the French TV and cinema group, fell 10 per cent after Canal Plus, the pay-TV company, and its largest shareholder, conglomerate Vivendi, announced they had become Pathé's second shareholder. **European companies, Page 22**

Degussa shares slid almost 7 per cent after the German chemicals and metals group reported lower first-quarter sales and profits due to slowing growth in North America and Europe and the crises in Asia, Russia and Brazil. **European companies, Page 22**

Boeing and Lockheed Martin are among six companies invited to take part in the first design phase for a £1.5bn ($2.5bn) contract to supply two aircraft carriers to the UK. **Britain, Page 8**

A decline in trading on Brazilian money and currency markets is adding to economic uncertainty in the wake of the devaluation of the Real earlier this month. **The Americas, Page 7**

P&O North Sea Ferries has placed a $297m order with Fincantieri of Italy for the world's largest two ferries for its Hull-Rotterdam route. **Trade, Page 4**

Michelin is considering expanding in Japan by acquiring or linking with a local partner, believed to be Yokoyama Rubber. **International companies, Page 20**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
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WORLD MARKETS

STOCK MARKET INDICES			**GOLD**		
New York: Lunchtime			**New York Comex**		
Dow Jones Ind Av	9091.84	(-29.93)		$288.0	(286.70)
NASDAQ Composite	2343.00	(+4.12)	**London**		
Europe and Far East				$288.15	(286.95)
CAC40	4050.80	(+31.47)	**DOLLAR**		
DAX	4982.45	(-36.83)	**New York: Lunchtime**		
FTSE 100	5880.9	(+19.7)	£	1.6569	
FTSE Eurotop 300	1186.50	(+6.15)	€	0.8647	
Nikkei	14208.81	(+54.41)	SFr	1.3845	
US Lunchtime RATES			Y	113.865	
Federal Funds	4.8125%		**London**		
3-mth Treas Bills, Yld	4.38%		£	1.6574	(1.6542)
Long Bond	102		€	0.8649	(0.8634)
Yield	5.12%		SFr	1.3825	(1.3818)
OTHER RATES			Y	113.935	(114.25)
UK: 3-mo Interbank	$5\frac{7}{16}$%	($5\frac{11}{16}$%)	**Tokyo Close**		Y 114.6
UK: 10 yr Gilt	137.8	(138.49)	**EURO (London)**		
BBA Eurolibor	$3\frac{1}{16}$%	(same)	$	1.1562	(1.1582)
Germany: 10 yr Bund	109.59	(108.65)	£	0.6975	(0.7001)
Japan: 10 yr JGB	100.201	(100.541)	Y	131.732	(132.18)
NORTH SEA OIL (Argus)			SFr	1.5985	(1.6004)
Brent Dated	$11.06	(11.26)			

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Euro-zone target price €2.15 Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	Dkr16.00	Latvia	Ls1.65	South Africa	R16
Estonia	EKr34.00	Lithuania	Lt21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.75	Morocco	Dh18.00	Syria	S£90.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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WORLD NEWS
EUROPE

Schröder delays nuclear bill ahead of talks

By Frederick Stüdemann in Bonn

Gerhard Schröder, German chancellor, yesterday rode roughshod over his Green coalition partners when he postponed introduction of a bill on phasing out nuclear power in a significant concession to the country's energy industry.

The concession, made on the eve of talks today between government and industry aimed at reaching a compromise over nuclear energy policy, drew angry reactions from members of the Green party.

"We are annoyed," Kerstin Müller, one of the party's two parliamentary leaders, said bluntly. The environmentalist Greens are the junior member of Mr Schröder's Social Democrat-led "red-green" coalition.

But officials yesterday said the decision to postpone introduction of the bill to parliament by three weeks had created "a better atmosphere" for today's round of "consensus talks".

Industry leaders, who yesterday met for a preparatory meeting with Mr Schröder, had threatened to boycott today's talks, arguing that the bill, drawn up by Jürgen Trittin, the Green environment minister, acted as a straitjacket and made negotiation pointless.

The industry has been particularly angered by Mr Trittin's insistence that it stop reprocessing spent nuclear fuel rods from the start of next year. Nuclear reactor operators say such a move would expose them to hefty penalties from French and British reprocessing companies; and force closure of power stations as they did not have the resources to store the unprocessed rods.

Mr Schröder insisted at the weekend that the German government would not accept any compensation claims for the reprocessing contracts. In a television interview, he said Germany had made a "sovereign" decision that voided the contracts. Britain yesterday reacted strongly, insisting that the contracts were legally binding.

Mr Trittin's spokesman yesterday sought to play down the implications of the postponement. "If, like Mr Trittin, you have spent years opposing nuclear power and taking part in demonstrations, then a delay of a few days or weeks is not the real issue."

Additional reporting from David Wighton in London

Pressure rises on Kosovo sides

By Our International Staff

The western powers yesterday applied pressure to the Albanian as well as the Serb side in the Kosovo conflict to try to move them towards a peace negotiation, starting perhaps as early as next week.

Ahead of a probable meeting of Contact Group foreign ministers that might seek to launch an early peace conference, the international community's chief political mediator, Chris Hill, was yesterday in Kosovo's provincial centre, Pristina, to press ethnic Albanian leaders into negotiation with Slobodan Milosevic, the Yugoslav president.

Mr Hill, who has been shuttling between Serbs and Albanian leaders with little apparent result for several months, said: "We cannot allow this process to go on and on." Injecting a new note of urgency just after the bodies of five Kosovar Albanians killed on Sunday were discovered, Mr Hill said: "I think we are heading to a situation where we have to come up with some very good ideas, and to see some rapid implementation."

In Brussels, European Union foreign ministers backed the new attempt by the six-nation Contact Group for a big peace push. They called for pressure to be maintained on Mr Milosevic, but also condemned "provocations" by the armed Kosovo Liberation Army separatists.

Robin Cook, UK foreign secretary, said a peace deal would give the ethnic Albanians autonomy and foreign aid, and offer the Serbs a way of disengaging from a military contest they could not win and that was damaging and isolating them.

The Contact Group's four EU members – Britain, France, Germany and Italy – favour an early ministerial meeting, perhaps this Friday, in Paris or London. Foreign ministers of the two other Contact Group members – the US and Russia – yesterday discussed Kosovo in Moscow. Russia, which has vehemently opposed Nato threats to bomb Yugoslavia to the negotiating table, appears keen to pursue the political solution. The US has taken a tougher line than its European allies inside Nato by arguing for military pressure on Belgrade to be increased. It wants any Contact Group call for a peace conference to be accompanied by a warning of Nato action, if not an ultimatum.

Western officials admit their leverage over the KLA is limited. But Italy and some other Nato allies are pushing for Nato to send detachments to Albanian airfields and ports to cut off arms supplies to the KLA.

At stake: coalition, a crucial policy, the consensus route

Vital elements of Schröder's government will be tested in talks on nuclear power in Germany, writes **Frederick Stüdemann**

It is Gerhard Schröder's toughest test since he became Germany's chancellor last October. This morning he and his ministers will sit down with the bosses of Germany's big energy companies in an attempt to reach a compromise over government plans to phase out nuclear power.

Already the path to today's meeting was littered with splits within Mr Schröder's "red-green" coalition of Social Democrats and Greens, sabre-rattling and threats from industry and not-so-polite warnings from allies abroad. Yesterday the government was forced to back-track on a key part of its plans after a show-down at a preparatory meeting between Mr Schröder and the industry.

If today's talks fail the result will not just be the collapse of one of the government's main policy initiatives. Relations between the SPD and Greens would be stretched – perhaps even to breaking point.

Failure in the nuclear talks would also undermine Mr Schröder's conviction that domestic reform can be advanced by consensus. As Bodo Hombach, a chancellery minister and Mr Schröder's "fixer", pointed out yesterday, there would be serious implications for the government's main project: the tri-partite "alliance for jobs" aimed at improving conditions for business and reforming Germany's creaking social security and pension systems.

This perhaps explains Mr Schröder's willingness to postpone the introduction of a bill drawn up by Jürgen Trittin, the Green environment minister, laying down the conditions for withdrawal from nuclear power. Mr Trittin's insistence that the reprocessing of nuclear waste by companies in France and Britain be stopped from the start of next year outraged industry, which threatened not to show up for today's meeting.

Despite that concession there is still much to argue about. The industry says an end to reprocessing will expose it to billions in penalties for breaking contracts with Cogema of France and British Nuclear Fuels. This view is shared by the two reprocessing companies and their governments who have poured scorn on Mr Trittin's claim that cabinet decisions constitute an "act of God" and thus should not incur any penalties.

The industry says it does not have enough space to fulfil government demands that spent fuel rods be stored on an interim basis close to reactors. Industry has also warned that a hasty end to reprocessing would lead to hundreds of trains of radioactive nuclear matter trundling their way back from France and Britain. In the past such cargoes have been greeted by violent demonstrations.

Throughout the debate Mr Schröder has insisted that phasing out nuclear power must not lead to the government picking up the bill or damage relations with France and Britain. He is also under pressure from within the SPD where job-protection and historic close links to the energy sector rank higher than concern for the environment.

How he intends to square the circle remains unclear. One possible deal circulating in Bonn involves German nuclear companies cancelling their reprocessing contracts with Cogema and BNFL and paying the penalties for doing so or partly offsetting them by offering Cogema and BNFL new contracts to prepare the nuclear matter for final storage.

In return the government could make concessions to industry on matters such as a longer time-scale for shutting down individual reactors and the favourable tax treatment of an estimated DM20bn (€10.2bn, $11.9bn) of reserves built up by operators to meet decommissioning costs.

The reserves are a critical issue for the industry. "If reprocessing is stopped the reserves, which for all these years have been a wonderful tax-saving model and investment fund, will start to be disbursed and exposed to tax. That is what they [the energy companies] are really afraid of," says a government official.

Such a deal could benefit both sides. The government could claim that, strictly speaking, the taxpayer was not footing the bill for contract cancellation. An extension of the operational life-spans of reactors would allow the industry to continue making money from facilities which are running at their optimal profitability since their start-up costs have already been amortised. Job losses would also be staggered.

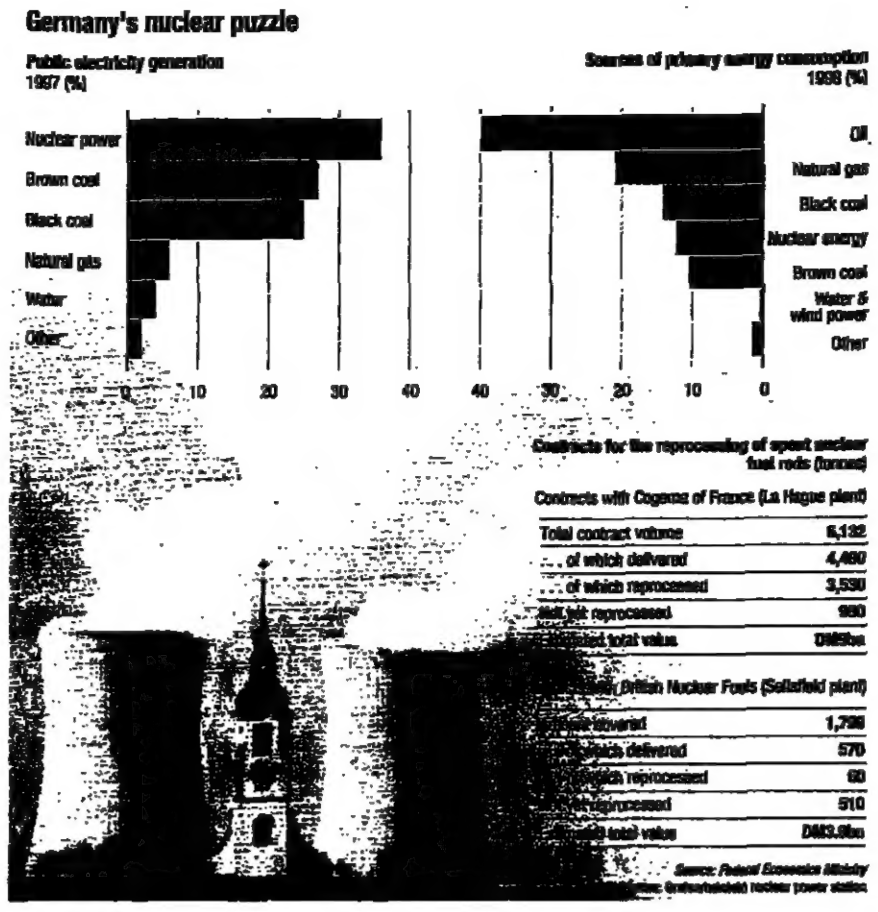
Today's talks are also intended as the start of a related discussion about future German energy policy. Without nuclear power Germany will have to get more than a third of its electricity from elsewhere. Mr Trittin talks optimistically of a "mix" in which the savings on consumption, more efficient generating technology and the increased use of energy from renewable sources combine to make up the shortfall.

Others, including many industry analysts, believe the opportunities offered by the liberalisation of European energy markets will be exploited – with possible ironic side-effects such as the import of electricity from nuclear reactors in France or the Czech republic.

Phasing out nuclear power would also re-open old questions about the strategic dimension of energy policy. The shift towards nuclear under the Social Democrats in the 1970s followed the first oil shock which clearly exposed Germany's paucity of natural reserves.

The nuclear industry warns that such days could return and that if the government is serious about reducing emissions from the burning of fossil fuels it may have to re-visit the option of "clean" atomic power. A drawn-out exit from nuclear power also, of course, raises the prospect that policy could be reversed at a later date. As one nuclear lobbyist put it: "The operational life span of a government is only four years."

Germany's nuclear puzzle



Contracts for the reprocessing of spent nuclear fuel rods (tonnes)

Contracts with Cogema of France (La Hague plant)	
Total contract volume	5,132
... of which delivered	4,460
... of which reprocessed	3,530
Still to be reprocessed	930
Estimated total value	[illegible]
Contracts with British Nuclear Fuels (Sellafield plant)	
Total contract volume	1,736
... of which delivered	570
... of which reprocessed	60
Still to be reprocessed	510
Estimated total value	[illegible]

Source: Federal Economics Ministry
Picture: Grafenrheinfeld nuclear power station

FOREIGN MINISTERS' MEETING PERFORMANCE RESERVE AGREED FOR SPECIAL MERIT PROJECTS IN POOR REGIONS

EU takes step to reform of finances

By Peter Norman in Brussels

European Union foreign ministers yesterday took a step to reform of the EU's finances and spending when they agreed to create a "performance reserve" to help finance projects of special merit in Europe's poorer regions.

The political agreement is contingent on a full accord on the bigger Agenda 2000 package of reforms of the EU's budget, farm policy, and structural funds for poorer areas at the EU's end of March summit. That meeting was switched yesterday from Brussels to Berlin.

The deal, which would allocate 4 per cent of the EU's structural funds to the performance reserve, was hailed by Monika Wulf-Mathies, commissioner responsible for regional policy, as "an important step" that would "make sure the European Union's taxpayers' money is well spent".

Programmes worthy of the special support will be chosen by criteria defined by the EU's member states in partnership with the European Commission by the end of March 2004 at the latest.

The idea, which was the subject of months of negotiation after the commission had first proposed a 10 per cent fund, is that extra support for programmes of special quality will raise the overall standard of EU structural fund projects.

Programmes will be chosen by criteria defined by the EU states

The German presidency of the EU had less success in its bid for foreign and finance ministers to impose strict financial limits on EU farm ministers when setting agricultural spending.

Joschka Fischer, German foreign minister, reported agreement that he and his colleagues in the general affairs council should supply guidelines to ministers negotiating future farm support. But there was less than full support for a German idea of a "top down" system of financial control with strict limits on farm spending.

Yesterday's meeting backed the idea of capping farm budgets at levels more in keeping with actual spending. But Spain, Greece and Ireland opposed the idea. David Andrews, Irish foreign minister, declared: "We should not allow the discussion about Europe's future to be based on ceilings and margins".

Pierre Moscovici, the French minister for Europe, made clear France would accept cuts in the EU's direct aid to farmers and was for a stabilisation of EU farm spending and overall spending up to 2006. But the French and Irish ministers warned against the concept of "co-financing" by which national budgets would play a bigger role in financing.

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NEWS DIGEST

EUROPEAN SINGLE CURRENCY

Poll shows Swedes are swinging towards euro

An opinion poll suggested yesterday for the first time that a majority of Swedes favour joining the European single currency, underlining signs of growing euro-enthusiasm in Scandinavia's largest economy.

The Gallup poll, published in the newspaper Dagens Industri, showed 51 per cent in favour of the single currency, with 31 per cent against and 19 per cent undecided. A similar poll last week indicated that 45 per cent of the population wanted Sweden to join the euro-zone.

The ruling Social Democrats are expected to set the timetable for a referendum on joining the currency union at a special party congress next year. Senior politicians hope that Sweden will hold such a referendum before it assumes the EU presidency in 2001.

Last week, Urban Bäckström, governor of the Swedish central bank, predicted that Sweden could join the euro zone in January 2002 following a favourable referendum vote next year. **Tim Burt, Stockholm**

RUSSIAN INDUSTRY

Gazprom may fire 35,000

Russia's largest company, the natural-gas monopoly Gazprom, has started massive lay-offs that could total more than 35,000 people. Gennady Yezhov, spokesman for the Gazprom chairman, Rem Vyakhirev, said yesterday the reductions would probably amount to 10 per cent of the company's workforce of 350,000.

Mr Yezhov said in a newspaper interview at the weekend that some subsidiaries might be merged to cut administrative expenses. Senior Gazprom executives have said the company made a substantial loss in 1998 because of the sharp fall in European gas prices and Russia's financial crisis.

James Henderson, oil and gas analyst at the Moscow-based investment bank MFK Renaissance, said the announcement did not come as a surprise. "They have a huge number of excess personnel," he said. **AP, Moscow**

PRICE PROTESTS

Polish farmers block roads

Polish farmers yesterday blocked around 90 roads and three frontier crossings in protests aimed at forcing the government to implement higher tariffs on food and cheaper credits. Police used water cannon in several places but the protests passed off without serious incident. Andrzej Lepper, a radical farmers' leader, said the protests could lead to an insurrection.

Farm prices have been falling for a year after the collapse of food exports to the former Soviet Union and lower domestic demand for food products. Last month the price of pigs was 35 per cent down on December 1997 while wheat was 14 per cent and rye 20 per cent down.

The collapse in farm prices has, however, eased pressure on the retail price index which last month was up 8.6 per cent on December 1977. Then, prices of retail goods and services were running at 13.2 per cent higher than the previous year. **Christopher Bobinski, Warsaw**

COUNCIL OF EUROPE

Briton to be president

A British Liberal Democrat politician, Lord Russell-Johnston, was yesterday elected president of the 40-nation Council of Europe's parliamentary assembly, in a success that might be matched later this year by a British bid for the council's top executive job of secretary-general.

Lord Russell-Johnston easily defeated his only rival, Flavio Rodeghiero of Italy's Northern League, for the three-year presidency of the assembly, made up of MPs seconded from parliaments of the 40 members.

Terry Davis, a British Labour MP, is a longer shot to succeed the Swedish Socialist Daniel Tarschys, who steps down this summer as secretary-general. But he may be able to exploit a split in conservative Christian Democrat ranks who are fielding the former Polish prime minister Hanna Suchocka and the Austrian MP Walter Schwimmer.

Success by Mr Davis could prefigure further Liberal-Labour collaboration in Britain's representation in Brussels. Paddy Ashdown's announcement last week that he is retiring as Liberal Democrat leader roused speculation that he may become one of Britain's two EU commissioners with the former Labour leader, Neil Kinnock.
David Buchan, London

EU INFORMATION

Single market on the web

A new website has been launched by the European Commission for companies seeking practical information on the single market. The free One-Stop Internet Shop for Business contains data, information and access to public procurement tender notices.

The Commission hopes the site – http://europa.eu.int/business – will enable small and medium-sized enterprises to make full use of the single market, as well as providing it with valuable feedback on areas where the internal market is not functioning. The Internet Shop also covers technical standards, funding opportunities, intellectual property and press releases. **Emma Tucker, Brussels**

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Bankers signal they are ready to listen to the politicians

By Tony Barber in Frankfurt


ECB watch

Good central bankers cherish their independence. But they are also aware they do not operate in a political vacuum. In democratic societies, the political context is all-pervasive. The European Central Bank offers an striking example.

Conceived at a time when centre-right governments ruled the roost in the European Union, the ECB found the situation quite different when it assumed responsibility for euro-zone monetary policy on January 1.

Centre-left politicians now controlled all 11 euro-zone countries except Ireland and Spain. Some of these politicians were not afraid to speak out. Oskar Lafontaine, Germany's new finance minister, and Dominique Strauss-Kahn, his French colleague, took delight in offering the ECB advice on interest rate policy.

"If there is no correction in interest rates, it will be difficult to reach the growth rates needed to reduce unemployment," Mr Lafontaine told a congress of his ruling Social Democratic Party last November.

Such remarks did not herald a showdown between interventionist politicians of the left and central bankers determined to assert their independence. The politicians were not out to destroy or demoralise the ECB. That would hardly have been in their own interest.

The purpose of Mr Lafontaine and others was rather to remind the ECB it had an obligation, under the EU's Maastricht treaty, to support the EU's "general economic policies".

These aim to achieve "sustainable, non-inflationary growth respecting the environment, a high degree of convergence of economic performance, a high level of employment and social protection, the raising of living standards and quality of life..."

Thus, the ECB's task is not just to slay inflation for all time. Growth and employment also matter. Members of the ECB's policy-making Governing Council already knew this. But until Mr Lafontaine and Mr Strauss-Kahn weighed in, the bankers had not mentioned it much in public.

The ECB's first monthly report, published last week, takes care to signal that the bank is listening to the politicians. It talks explicitly of "the broad need for mutual co-operation and dialogue among policy-makers in an inter-dependent environment".

The report stresses that the ECB is "concerned about the current high level of unemployment in the euro area".

But it says the best contribution monetary policy can make is to focus on keeping medium-term price stability, and contends that unemployment is "overwhelmingly structural in origin".

The ECB has also taken careful note of a joint statement by Mr Lafontaine and Mr Strauss-Kahn, that France and Germany would not welcome an overvalued euro. In a speech in Frankfurt last night, Wim Duisenberg, ECB president, said: "The [ECB's] monetary policy is not one of benign neglect with respect to the exchange rate [of the euro].

"If a strong and abrupt appreciation of the euro were to occur, this would lead, all other things being equal, to downward pressures on price developments. Then, there would be a stronger reason for lowering the ECB's interest rates."

Economic indicators for euro-11 countries

	Nov 1998	Oct 98	Sep 98	Aug 98	Jul 98	Jun 98	97	96
Inflation (annual % change)	0.9	1.0	1.0	1.2	1.4	1.4	1.8†	2.2†
Unemployment (%)	10.8	10.8	10.9	11.0	11.0	11.1	11.6	11.6
Trade (Ecu bn)								
Exports	n/a	n/a	65.5	58.1	72.4	70.0	760.8	667.7
Imports	n/a	n/a	60.4	49.6	58.9	61.6	671.4	594.2
Trade balance	n/a	n/a	5.2	8.5	13.5	8.4	89.4	73.5

Current account (Ecu bn)	Q3 1998	Q2 98	Q1 98	Q4 97	Q3 97
Current account balance	21.5	25.0	12.4	28.6	28.0
As % of GDP	1.5	1.7	0.9	2.0	1.9

Industrial production (%) (3 mo over previous 3 mo)	Aug-Oct/May-Jul	Jul-Sep/Apr-Jun	Jun-Aug/Mar-May	May-Jul/Feb-Apr	1997	1996
	0.6	0.7	0.8	0.9	4.1††	0.0††

GDP growth (%)	Q3 1998	Q2 98	Q1 98	Q4 97	97	96
Over same quarter last year	2.7	2.8	3.8	3.2	2.5	1.8

Money supply	Nov 1998	Oct 98	Sep 98	Aug 98	Jul 98	Jun 98
M3 Annual growth rate (%)	4.5	5.0	4.5	4.5	5.0	5.3

* provisional — estimated † estimated due to Ireland, for which quarterly index numbers for 1995 and 1996 were used to estimate the monthly [illegible] †† annual % change
Source: Eurostat

مكبرا من الاصل

Albright hears Luzhkov's views

By John Thornhill in Moscow

Yuri Luzhkov with Madeleine Albright in Moscow yesterday AP

Yuri Luzhkov, Moscow's mayor and rising star of Russian politics, yesterday criticised US foreign policy in a "frank but cordial" meeting with Madeleine Albright, the visiting US secretary of state.

Mr Luzhkov also launched a stinging attack on the Russian presidential administration, questioning whether President Boris Yeltsin was fit enough to hold office.

The ambitious Moscow mayor, seen as one of the most likely successors to the ailing Mr Yeltsin, attacked US policy towards Kosovo and Iraq and expressed concern Washington might sidestep the 1972 Anti-Ballistic Missile treaty in its attempts to defend itself from rogue nuclear powers.

"Mayor Luzhkov raised issues of American policy, which I hope I was able to clarify in order to resolve some misunderstandings which exist," Mrs Albright said after the meeting. "It was quite cordial but I think there was very little ground given on either side," a US State Department official said.

Some observers expressed surprise that Mrs Albright should take time to discuss such foreign policy issues with Moscow's mayor. But the US administration has been keen to build bridges to other political forces in Moscow as Mr Yeltsin's authority wanes.

Today, Mrs Albright is scheduled to meet Alexander Lebed, the demagogic governor of Krasnoyarsk, and Grigory Yavlinsky, the leader of Yabloko, Russia's biggest liberal party. Both are likely to contest next year's presidential elections.

Mr Luzhkov continues to deny he will run for the presidency but is being drawn into an increasingly ill-tempered war of words with the Kremlin, which has accused Moscow's mayor of indulging in political "intrigue". He said Mr Yeltsin must consider whether he was still capable of shouldering the burdens of office.

"Whether the presidential administration wants to see or hear it, this problem does exist and will be the subject of discussions and decisions all the same," he said.

Mrs Albright also held talks with Igor Ivanov, her Russian counterpart, stressing the US administration's desire to remain "engaged" with Russia in spite of recent foreign policy differences.

Last night, Mrs Albright dined with her old sparring partner, Yevgeny Primakov, who was promoted from foreign minister to prime minister last September.

In a speech to social leaders, Mrs Albright promised the US administration would provide an additional $10m this year to bolster the independent media in Russia and help strengthen civil society.

The Russian government announced yesterday that Yuri Kobaladze, a former KGB general and head of press relations at the SVR, Russia's espionage service, had been appointed first deputy general director of Itar-Tass, the semi-official news agency.

IMF postpones visit to Romania as reform doubts grow

Foreign investors are nervous after recent decision to make a deal with thousands of striking miners. **Joe Cook** reports

A Romanian coal miner confronting riot police last week in the village of Costesti AP

The International Monetary Fund has postponed a visit to Romania, originally scheduled for this week, until mid-February to give the government more time to prepare this year's budget and to draw up plans for a $500m recapitalisation of Bancorex, the troubled state bank. The IMF says these two conditions must be met before talks on a stand-by accord to begin.

The delay will cast fresh doubt on Romania's commitment to pursue market-oriented economic reforms, which has come under the close scrutiny of foreign investors and the international financial markets after last Friday's decision to make a deal with thousands of striking miners.

By offering to review strikers' demands for a 30 per cent pay rise and for two loss-making pits to be kept open, Radu Vasile, the prime minister, averted a potential bloodbath between an estimated 10,000 miners and the troops, tanks and riot police deployed to prevent the miners from continuing their five-day march towards Bucharest.

But the indecision and compromise displayed by the government has cast doubt on Bucharest's reform and privatisation efforts, which until last week had been gaining momentum.

Romania is walking an economic tightrope. It is at risk of default on its external debt, against which it must pay $2.8bn this year, $2bn of it by June. Official foreign reserves, excluding gold, stand at $11.8bn.

"It is conceivable that Romania could avoid the worst case scenario," said a recent report by ING Barings, the Dutch investment bank, "but confidence in this outcome is unwarranted in the absence of the International Monetary Fund's financial support."

Until Friday's apparent capitulation to the miners, the risk of default had focused the minds of Mr Vasile's often fractious three-way coalition. Several big privatisation deals have recently been concluded, including the sale for $675m of a 35 per cent stake in RomTelecom, the national telephone monopoly, to Greece's OTE and the sale for $135m of a 51 per cent stake in the Romanian Development Bank to Société Générale of France.

Yesterday the government sold a 65 per cent stake in the Petromidia oil refinery to Turkey's Akmaya for $726m. Next month is expected to see the sale of a 45 per cent stake in Banc Post, the post office bank, to GE Capital of the US and Portugal's Banco Portugues de Investimento. Negotiations have opened with Renault, the French carmaker, over the acquisition of a majority stake in the Dacia car company. Plans are also afoot to privatise Bancorex and two other big state banks.

Running parallel with the privatisation push, there are plans for a radical restructuring of much of Romanian industry. The government wants to close 140 loss-making coal and other mines, sell off or liquidate 49 loss-making state enterprises and get to grips with the state farming sector.

If these plans are carried out, 70,000 jobs would disappear. Another 70,000 jobs would go as part of a five-year plan to restructure the steel sector.

These drastic measures are part of a drive to staunch losses in the state-owned sector by 30 per cent by March – a condition of any new IMF agreement. World Bank negotiators, who arrived in Bucharest in the middle of last week's turmoil, are also conditioning a possible $500m credit on industrial restructuring and bank recapitalisation plans.

"1999 is a turning point for this country, that's for sure," said Al Tolstoy, president and chief executive of MobiFon, Romania's leading mobile telephone operator, which raised its investment in the country last week to $655m by $155m via a mix of debt and equity.

Mr Tolstoy recounted how Bucharest's small but growing community of foreign investors and bankers had exchanged frantic phone calls after President Emil Constantinescu said on TV last Friday preparations for imposition of martial law had been put in place.

"We were all very relieved the government had the resolve and flexibility to tackle the situation," he said. But as last week's violent unrest has shown, the government will find it difficult to carry out its massive restructuring programmes in a country where the national average monthly salary is about $100 and where the jobless rate in some regions is as high as 30 per cent, or three times the national unemployment rate.

Workers in other sectors have already started to agitate for concessions. Last week 8,000 workers at the state-owned Roman truck factory walked out in protest at the planned restructuring of their company.

Some 15,000 workers at Romania's Black Sea ports are threatening to strike and the national trade union federation called for a general strike to start on February 15.

Indeed, Romania's frantic efforts to avoid default may now hinge on the battle between organised labour and the modernising proponents of reform. The trick will be maintaining social peace while getting to grips with the problems of an economy that has shrunk by some 15 per cent over the last three years.

Slovakia braced for austerity package

By Kevin Done, East Europe Correspondent

The Slovak government is expected to approve tomorrow a long awaited economic austerity package in response to the country's mounting financial difficulties.

The four-party coalition government led by Mikulas Dzurinda faces mounting fiscal and trade deficits, rapidly rising foreign and local debt, slower economic growth and a weak banking system with a large percentage of bad loans.

The country has lost its investment grade credit rating from all three leading international rating agencies in recent months.

Ivan Miklos, deputy prime minister for the economy, said in an interview that the government was seeking to cut its fiscal deficit to around 2 per cent of gross domestic product this year from more than 2.6 per cent in 1998.

Slovakia has run up unsustainable deficits in the current account of the balance of payments equivalent to more than 10 per cent of gross domestic product in each of the past three years. Mr Miklos said that the government was aiming to cut the current account deficit to between 5 and 6 per cent of GDP through measures to slow economic growth and to reduce imports.

Economic growth is expected to slow to around 3 per cent this year from between 5 and 6 per cent in each of the past four years, while inflation is forecast to jump to 10 per cent from the recent level of below 6 per cent. The government has already raised many utility prices, increasing the cost of electricity for households by around a third, with further rises in gas and fuel taxes and in public transport fares.

Brigita Schmögnerova, finance minister, says utility prices could be raised again during 1999 and 2000 in an effort to deregulate prices and improve the finances of indebted state companies.

Government expenditure is to be reduced and wages are to be frozen in the state sector for 12 months. Capital expenditure is also to be cut sharply, in areas such as road construction favoured by the former government led by Vladimir Meciar, which was ousted in last autumn's general election.

The government is also planning a series of moves to restructure the economy, including steps to make bankruptcy procedures more effective and to prepare the privatisation of part of the state-owned banking sector.

Ladislav Vaskovic, chief executive of Vseobecna Uverova Banka, said the bank had been ordered to restructure.

Slovak steel, Page 20

BANANA DISPUTE CARIBBEAN PRODUCERS BLOCK ACTION AT WTO

Island growers spike US sanctions move

By Frances Williams in Geneva

Two tiny Caribbean banana producers yesterday frustrated US plans to request the World Trade Organisation to authorise sanctions against the European Union over its banana regime, by blocking the meeting's agenda and thereby preventing the request being made.

The move came after another day of intensive talks between US and EU officials and Renato Ruggiero, WTO director-general, failed to come up with a formula to defuse the bitter dispute. Washington has not been prepared to agree a compromise that would delay its planned timetable for imposing $520m in retaliatory duties by March 3.

St Lucia and Dominica, with the support of Côte d'Ivoire, said the US was not entitled to ask for sanctions without a WTO ruling that the EU's amended banana import arrangements, which came into force on January 1, failed to comply with fair trade rules.

Mr Ruggiero was meeting again with both sides last night and another meeting of the WTO's disputes settlement body has been scheduled for this morning.

The US maintains that the amended regime, which favours African, Caribbean and Pacific bananas, continues to discriminate unfairly against US distributors of Latin American fruit. It argues that under the rules WTO members cannot refuse its right to retaliate.

The WTO dispute panel that originally ruled against the EU regime is now examining the new arrangements at the request of Ecuador and the EU itself, but is not expected to report before early April. US officials in Geneva reacted angrily to yesterday's blocking move, which they said was damaging to the dispute settlement system. EU officials said they did not support the decision to block the agenda, though they agreed with the underlying arguments.

Japan, South Korea, India, Indonesia and six central European nations last week backed the EU in arguing that the US cannot request sanctions without a WTO ruling on compliance, and this view is clearly shared by many other WTO members which do not necessarily endorse the EU's banana import regime.

Mr Ruggiero yesterday proposed that the two sides buy themselves some time to work out a compromise by allowing the US sanctions request to go ahead at the same time as the EU invoked its right to arbitration on the proposed amount of retaliation. This would have suspended US sanctions until March 3, the final date for the arbitration report.

However, the EU was reluctant to accept this solution given US insistence that there could be no slippage in the March 3 deadline. Brussels had earlier reacted favourably to an earlier proposal by Mr Ruggiero that the original dispute panel discuss both compliance and carry out the arbitration by April 12. This would have allowed Washington to apply sanctions immediately if the amended EU regime was found to breach WTO rules, but it was not acceptable to the US.

● Commission officials said the US sanctions would hit exports worth €520m ($600m) a year, adds Kevin Brown, Industry Editor. The biggest impact would be on the UK (€120m) and Italy (€113m). Big losers would include the UK cashmere industry (€26m), Belgian biscuit makers (€30m), and French handbag manufacturers (€22m).

Comment & Analysis, Page 15

P&O orders the world's biggest ferries

By Charles Batchelor, Transport Correspondent

P&O North Sea Ferries has placed a £180m ($297m) order for two ferries – the world's largest – for its Hull-Rotterdam sailings.

The two "cruiseferries", to be supplied by Fincantieri of Italy, will carry up to 1,360 passengers, 250 cars and 400 containers or truck trailers. They will have a maximum speed of 22 knots and will reduce the journey time from 14 to 11½ hours.

The ferry companies are engaged in a fierce battle for customers following a shake-out on the key Dover-Calais route after the opening of the Channel tunnel in 1994. Passengers are demanding shorter journey times and improved facilities.

At 60,600 gross tons, the new ferries will be nearly twice as large as existing ones and larger than the 50,000 ton Baltic ferry – currently the world's largest ferry.

They will be larger than many of the older cruise liners and compare with the 100,000 ton generation of super liners now being delivered. They will each have a crew of 136. P&O has yet to decide which flag the ships will sail under.

"There has been a revolution in ferry quality and design over the past 10 years," said Graeme Dunlop, chairman of P&O Ferries.

The new ships, to be delivered in April and December 2001, will have 546 passenger cabins all with private facilities, a range of restaurants and a cyber café. There will be live entertainment, a casino and two cinemas convertible into conference rooms.

The two new ships will replace the four ferries currently on this route. The two passenger/freight ferries will be transferred to the Zeebrugge-Hull route while the two freight-only ferries will go to Felixstowe-Rotterdam.

P&O has ordered many of its cruise liners from Fincantieri. It chose the Italian company after a worldwide tender.

P&O North Sea Ferries operates 17 ships carrying passengers and freight. In 1998 it carried just over 1m passengers, 216,000 cars and 670,000 trucks and containers.

Take-off for five-airline alliance

By Michael Skapinker, Aerospace Correspondent


Ayling: frequent flyer link-up while waiting for regulators

American Airlines and British Airways yesterday announced the launch of their Oneworld alliance, even though they have yet to receive approval from regulators on either side of the Atlantic.

Oneworld, which also includes Canadian Airlines, Cathay Pacific of Hong Kong and Qantas of Australia, will link their frequent flyer programmes. The carriers will also allow passengers access to each other's airport lounges.

However, the alliance members will not be able to code-share – sell seats on each other's flights – or co-operate on pricing. This is because they have not received antitrust immunity from the US authorities or approval from the UK government.

BA and American, which first launched their alliance in 1996, decided to delay full implementation of their partnership last year because the price demanded by regulators was too high. The European Commission had recommended to the UK government that the alliance should only be allowed to proceed if the two airlines gave up 267 weekly take-off and landing slots at London's Heathrow and Gatwick airports.

BA and American said they would phase in their alliance instead. The airlines will co-operate under the Oneworld label by offering their passengers benefits which do not require regulatory approval.

Robert Ayling, BA's chief executive, said the partners could in the future co-operate in other areas without regulatory approval. These could include joint purchase of information management and airport handling facilities and better co-ordination of aircraft.

Oneworld has lost ground to the Star Alliance, which is led by United Airlines of the US and Lufthansa of Germany. United and Lufthansa already have antitrust immunity from the US authorities, allowing them to co-operate on setting fares.

Mr Ayling defended his handling of the planned alliance with American. "Have we failed to persuade the regulators that the benefits of the alliance are pro-competitive? Yes. Have we given up? No. Are there things we can do in the meantime? You bet," Mr Ayling said.

Finnair will join Oneworld later this year. Future members could include Iberia of Spain and Japan Airlines. BA and American are discussing taking a minority equity stake in Iberia. Both BA and American have concluded code-sharing deals with JAL, although the Japanese carrier has said it has not decided whether to join Oneworld.

NEWS DIGEST

BOOST FOR INVESTMENT

US and Venezuela sign double taxation treaty

After years of negotiation, Venezuela and the US yesterday signed a treaty to avoid double taxation and prevent tax evasion, paving the way for increased mutual investment.

Under the agreement, US or Venezuelan companies operating in the other country would no longer be required to pay full taxes to both governments. For many US companies this will dramatically improve investment conditions in Venezuela. "It will increase their competitiveness vis-a-vis some European countries, which already enjoy similar tax benefits," said Ronald Monahan, a Caracas-based tax consultant. "It will definitely boost investment." This year multinational oil companies are expected to invest $7.2bn in Venezuela.

Tax experts in Caracas say the treaty could reduce tax revenues for the Venezuelan government, possibly complicating its approval by the Venezuelan legislature. As the seventh largest foreign investor in the US, Venezuela also stands to gain considerably. The state oil company PDVSA, which owns Citgo, the largest petrol distributor in the US, will now be able to repatriate its profits at an estimated 5 per cent withholding tax instead of the previous 30 per cent.

Venezuela is the first South American country to sign such an accord. Both countries have also been negotiating an investment treaty for years. **Raymond Colitt, Caracas**

DATA PRIVACY NEGOTIATIONS

US and EU seek agreement

David Aaron, US commerce undersecretary, will this week visit several European countries in an effort to resolve the dispute between the US and the European Union over the protection of data privacy. Negotiations are deadlocked on two main issues: public access to data and enforcement of privacy guidelines.

The US wants to ensure data protection mainly through self-regulation by industry, and is wary of imposing too great a regulatory burden on companies by forcing them to comply with strict rules giving people access to personal data. The EU favours giving citizens broad rights to know what information has been gathered about them.

The EU's data protection directive went into effect on January 1, with four member countries – Greece, Italy, Britain and Belgium – having passed laws to implement it so far. The EU has promised not to disrupt the flow of data across the Atlantic while the differences with the US are being ironed out. Mr Aaron said privacy is "a major economic issue".

He said he would be promoting flexibility because new privacy issues are arising each day, because of the growth of the internet. **Deborah McGregor, Washington**

REBUILDING BEIRUT

US group wins $53m contract

Solidere, Lebanon's biggest company, yesterday awarded its first large contract to a US company when it named Radian International as the winner of a $53m environmental contract in the commercial district of Beirut. Solidere, which has a market capitalisation of nearly $1.8bn, is charged with rebuilding the 1.8 sq km area, one of the largest construction projects in the world. Radian has four and a half years to treat 5m cubic metres of rubbish forming the city's Noramandy dump which covers huge areas of the Mediterranean waterfront and extends into the sea.

Arab and European companies have dominated the reconstruction of Beirut following the 1975-1990 civil war and US businesses were further penalised by a 10-year travel ban to the country, lifted by Washington in 1997. **James Schofield, Beirut**

Olympic officials refuse to quit

By Patrick Harverson, in London Gwen Robinson in Sydney and Sheila Jones in Manchester

The fallout from the Olympic games corruption scandal continued yesterday as some of the six International Olympic committee members facing expulsion indicated they would resist attempts to remove them from their posts.

Their action was a blow to the IOC's hopes that this weekend's report into allegations of bribe-taking by IOC members voting on the 2002 Winter Olympics would draw a line under the affair.

Sergio Santander Fantini of Chile said he would not resign because he believed he had not broken the Olympic charter, while Agustin Arroyo of Ecuador said he intended to wait for the judgment of the IOC assembly in March.

The committee had hoped the six members found by investigators to have received inducements to vote for Salt Lake city for the 2002 winter Olympics would resign immediately. It now appears likely that several of them will stand firm. Unless they resign, a vote of all the IOC's 115 members will be required to remove them from office.

In Sydney, organisers of the 2000 summer games told sponsors the city retained the "full endorsement" of the Olympic committee.

"We are not being singled out for another Salt Lake City-type inquiry and the IOC has full confidence in us," Sandy Hollway, chief executive of Sydney's organising committee, said in a letter to sponsors.

Sydney officials privately acknowledged concerns about the impact of further unfavourable publicity on efforts to make up sponsorship targets. Sydney has a marketing revenue target of A$870m ($558m) for the games, but has raised only about A$850m from sponsors.

Documents issued by the Australian Olympic committee on Friday showed its president, John Coates, agreed to give sports funding of US$1.2m to 11 African countries before the 1993 vote on Sydney's bid. Mr Coates said he had offered $70,000 to two African members for sporting programmes in their countries the night before Sydney defeated Beijing.

Manchester, which lost out to Sydney confirmed yesterday that it would seek compensation for the £5.6m cost of staging its bid.

Sergio Santander Fantini of Chile: refused to resign

Brundtland asks for more WHO funding

By Frances Williams in Geneva

Gro Harlem Brundtland, director-general of the World Health Organisation, has told the US and other industrialised countries the WHO will be unable to do its job properly unless they increase funding.

In a foreword to the WHO's proposed $1.8bn budget for 2000 and 2001, Dr Brundtland says the agency's resources have shrunk by more than 20 per cent in real terms over the past decade under a policy of "zero nominal growth" that makes no allowance for rising costs.

The draft budget will be discussed by the WHO's board, which began its two-week January meeting yesterday, before going for approval to the WHO's annual assembly in May. The outcome will be closely watched by other UN agencies, whose budgets come up for approval in coming months.

In the six months since Dr Brundtland took office, she has put the WHO through a radical and sometimes painful restructuring, designed to increase its efficiency.

This has involved eliminating the top management layer and creating a "cabinet" of nine executive directors, each responsible for a "cluster" of programmes which have been reduced from 50 to 35.

The reforms have been strongly backed by western governments. But important donor nations, notably the US, Germany and Japan, fear that if they reward Dr Brundtland with more money, a precedent will be set for the less deserving.

The zero nominal growth policy, which also applies to other UN agencies in Geneva, has been maintained at the insistence of the US, the largest single contributor. Washington has so far shown no sign of relaxing its tough stance.

Dr Brundtland's first budget nevertheless tests the waters by going for zero real, rather than nominal, growth of the regular budget at $842m for 2000-01. Moreover, she has also set a target of 19 per cent growth in voluntary contributions, put at $958m for the two years, which she says is "what is needed to get the work done".

Meanwhile, a study before the board yesterday predicts "dramatic transformations in health patterns" within the next 20 years, when the main health problems worldwide are likely to be heart disease, depression and road accidents.

AMERICAN ASSOCIATION FOR ADVANCEMENT OF SCIENCE

Health linked to state of mind

By Clive Cookson in Anaheim, California

Scientists once regarded the nervous and immune systems as entirely separate – and scorned the popular idea that the state of your mind influenced the health of your body. Recent research shows, however, that the popular view was right after all.

The American Association for the Advancement of Science heard new evidence that the brain and immune system work extremely closely together. The relationship between the two determines susceptibility to different types of disease.

At the heart of the relationship are specialised hormones and messenger molecules called cytokines which have evolved to communicate between the brain and the rest of the body, including the immune system.

Stress is the most important mental influence on health, said Esther Sternberg of the US National Institute of Mental Health. Periods of stress weaken the immune response and increase vulnerability to infection, as several studies have shown.

People vary greatly in their innate response to stressful situations. To model two extremes, Dr Sternberg and colleagues created two strains of laboratory rat – "laid-back California rats" that have very low stress levels and "type A New York rats" that produce large amounts of stress hormone in the brain.

The high-stress rats suffered, as expected, from more infectious illness because their immune system was suppressed. But it turned out that there is a corresponding downside to being a low-stress rat; your highly active immune system makes you more vulnerable to auto-immune diseases such as arthritis. High-stress rats are resistant to auto-immune disease.

"In humans too, more and more auto-immune diseases, including rheumatoid arthritis and asthma, have been shown to be linked to low levels of stress hormone," said Dr Sternberg.

While state of mind can effect diseases elsewhere in the body, the reverse is also true: chronic disease has a profound effect on the brain, said Iain Campbell of the Scripps Research Institute.

His experiments show that if the immune system is over-active for long periods, then inflammatory cytokine molecules begin to damage the brain. This may be a contributory 1cause of Alzheimer's disease – and anti-inflammatory drugs are being developed to treat Alzheimer's on the basis of such evidence.

Learning the lessons of El Niño

By Clive Cookson in Anaheim

A wide range of scientists, from meteorologists to public health experts, met under the auspices of the American Association for the Advancement of Science to learn lessons from the strongest El Niño on record.

Ants Leetmaa, director of the US National Weather Service's climate prediction centre, said no one had forecast the last big El Niño in 1982/83. Fifteen years later, new meteorological techniques made it to possible first to predict the heating of the tropical South Pacific that characterises El Niño and then to give three to six months warning of consequent changes to regional climate in the most vulnerable parts of the world.

This advance notice enabled people and institutions to take some preventive action – for example increasing the planting of drought-resistant crops in places were less rain was forecast and strengthening flood defences where more was expected.

German Poveda of the Universidad Nacional de Colombia said his country always experienced more cases of malaria during El Niño, because the hot dry weather led to the formation of stagnant pools and ponds – ideal breeding grounds for mosquitoes. The Colombian health ministry acted on the warnings in 1997 by mounting a special anti-malaria programme, which reduced the extra toll of the disease.

On the whole, however, the health of the developing world suffered as a result of El Niño. A report on the event's consequences, released at the AAAS meeting by Harvard Medical School's Centre for Health and the Global Environment, catalogues clusters of infectious disease triggered by unusual weather conditions in many parts of the world.

There was also widespead respiratory illness caused by smoke inhalation during the prolonged forest fires in dessicated Indonesia.

In the spring of 1998 the circulation in the tropical Pacific abruptly reversed itself – turning El Niño into La Nina, which has brought its own set of severe weather problems.

Algeria critics to contest election

By Roula Khalaf in London

No less than 24 politicians are planning to contest Algeria's presidential election in April.

Algerian newspapers said 24 potential candidates have collected official documents allowing them to begin gathering the 75,000 signatures needed to run.

Among them are prominent critics of the regime running as independent candidates. They include Mouloud Hamrouche, the former prime minister and architect of Algeria's first economic reforms and Ahmed Taleb Ibrahimi, a former foreign minister who has consistently called for dialogue with the Islamic Salvation Front (FIS), the party stripped of an electoral victory in 1992.

President Liamine Zeroual called for early presidential elections last September after what is widely believed to have been disagreements with top army commanders. He has pledged that the race will be open and fair.

Political parties and personalities are stepping up complaints that the army has already picked its candidate. The regime has been trying to create a consensus around the candidacy of Abdelaziz Bouteflika, a former foreign minister officially nominated by the National Liberation Front, the former ruling party.

Mr Bouteflika has also won the backing of a large section of the National Democratic Rally (RND), the main pro-government party, and has the support of the leadership of Al Nahda, a small moderate Islamist party.

But many candidates believe Mr Bouteflika does not have the support of all the regime – and not Mr Zeroual's in particular. His candidacy has already deeply divided the RND, whose leader has publicly complained of pressures from the top.

Nigeria anxious to meet donors

By Michael Holman and Tony Hawkins in Abuja

Nigeria's military government is expecting an early meeting of international donors to seek funding for the country's $1.5bn financing gap for 1999, Ismaila Usman, the finance minister, said yesterday.

Although many donors will regard this timetable as optimistic, they are nevertheless anxious that the incoming civilian administration, due to take office at the end of May, should start on a sound financial footing.

In an interview with the Financial Times, the minister confirmed expectations that the International Monetary Fund Board would shortly approve a staff-monitored policy programme with Nigeria.

This would pave the way, the minister said, not only to rescheduling negotiations with the Paris Club as early as April, it would also make Nigeria eligible for an IMF Enhanced Structural Adjustment loan that could be worth as much as $1bn.

The Paris Club of official creditors is owed about two thirds of Nigeria's estimated $29bn external debt.

Preliminary talks are already under way with the leading members, and the minister said a Nigerian team would be holding discussions in London with Treasury officials next month.

In the clearest account of the Nigerian military government's economic strategy to date, Mr Usman confirmed that the measures to close the financing gap, partly the result of low oil prices, should be in place before the civilian government takes over on May 29.

The last phase in the transition, the presidential election, takes place on February 27.

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WORLD BANK CAUTION FEARS GROW THAT INDONESIA MAY FAIL TO FINANCE DEFICITS WITHOUT PRINTING MONEY

Faster Jakarta reforms sought

By Sander Thoenes in Jakarta and Ted Bardacke in Bangkok

The World Bank yesterday called for speedier economic reforms before new loans could be disbursed to Indonesia, fuelling concern that Jakarta may fail to finance large budget deficits in the current and coming fiscal years unless it prints money.

At a meeting with foreign donors, meant to review Indonesia's progress in fighting a severe economic crisis and assess its likely needs, government officials asked for $5bn in new foreign loans.

This was in addition to some $4bn pledged to ongoing projects, to help plug an expected budget deficit of $9bn for the fiscal year starting April 1.

However, it looks increasingly difficult to obtain pledges or hard cash. The World Bank estimated that loan disbursements by lenders for the current year were some $4bn short of the $13.9bn pledged.

The World Bank put the blame on Indonesia's slow pace of reforms, delays in paperwork and failure to set up viable projects.

"It is very important that Indonesia catches up as fast as possible," said Jean-Michel Severino, vice-president of the World Bank.

Some analysts estimate that the shortfall in disbursements is far greater than the bank's estimate. But this may not translate into a similar budget shortfall, as government social spending last year lagged as well and the rupiah rebounded.

A shortfall in offshore funding could be much more serious in the coming year, as spending is picking up and the rupiah is weakening.

Officials close to the talks said the International Monetary Fund was pressing the World Bank and others for faster disbursement of pledged funds. Some $8.5bn of the $11.2bn in IMF funds has been disbursed, but only $1bn of this went to the budget.

The World Bank disbursed less than a third of the $3.7bn pledged last year, with the Asian Development Bank and Japan falling far short as well.

The World Bank may also be wary of lending as it has $11.1bn outstanding in Indonesia, close to its country limit of $13bn.

Ginandjar Kartasasmita, co-ordinating minister for economy, finance and trade, last week underlined Indonesia's high hopes of Japan, the largest bilateral donor, by visiting Tokyo to lobby for funds, including part of a $30bn initiative.

Chinese in legal clash on internet

By James Kynge in Beijing

A legal storm over internet telephony has set China's powerful telecoms ministry at odds with a judiciary striving for a more independent and incorruptable image.

Officials at the ministry of information industry (MII), the mother organisation of China Telecom, have launched a counter-attack after a court ruled that two businessmen offering cut-price international calls over the internet from their shop were not breaking the law.

The court ruling represented an unambiguous threat to China Telecom, which operates a virtual fixed-line monopoly and derives much of its profit from international calls priced several times higher than those in the US or European countries.

"If this is allowed to continue unchecked, the consequences are unimaginable," a spokesman for the MII said, referring to a possible burgeoning of privately run internet telephony services all over China.

"This court ruling is utterly wrong. The judge simply does not understand the technology involved."

Xu Yongdong, a judge at the Fuzhou Intermediate People's Court, ruled this month after listening to expert opinion that internet telephony represented a different technology from traditional fixed-line telephone services. Therefore, he said, it did not violate China Telecoms' fixed-line monopoly, which is protected under law.

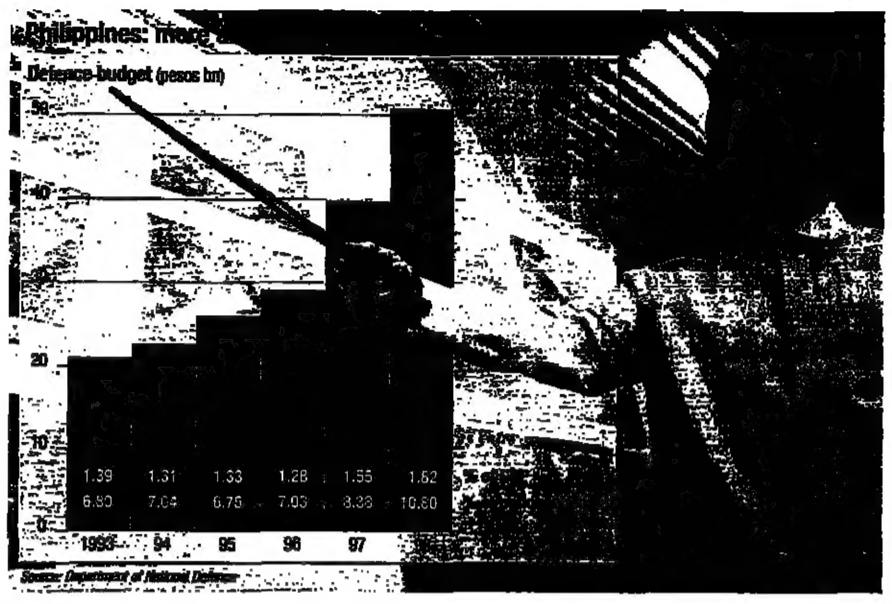
China's government shows no intention of allowing new competition for China Telecom in the fixed-line market, according to plans for a reorganisation of the domestic telecoms industry expected to be published soon.

But the court decision seems to do precisely that.

"This is a real test for [President] Jiang Zemin's insistence on building a rule of law. Is it real or is it just rhetoric?" said one foreign lawyer in Beijing.

Spratly nerves force Manila army rethink

Tony Tassell on attempts to modernise the Philippines' modest armed forces



During the Marcos years in the Philippines Orlando Mercado was detained and interrogated by the army for his role in what was regarded as a subversive communist youth organisation opposing martial law. Today, from his office just a few minutes walk from where he was held, Mr Mercado as Philippines' defence secretary, has been given responsibility for bolstering that same military.

When the administration of President Joseph Estrada came to power in July, Mr Mercado inherited a modernisation plan that had been long mooted but stalled by the Asian economic crisis and change of government.

With tensions mounting between China and the Philippines over the Spratly islands, the Estrada government appears set to take out its cheque book and revive the plan to spend up to 50bn pesos ($1.3bn) on equipment over the next five years.

"The aim is to develop a credible and more modern defence force," says Mr Mercado.

Until the closing down of US army bases in the country in 1992, the Philippines had relied almost entirely on the American presence to deal with external threats, preferring its own forces to focus on tackling its prime internal threat of long-running insurgencies in the southern province of Mindanao.

While it maintained a large corpus of 110,000 personnel, the armed forces were deprived of new equipment. When the US left, the considerable weaknesses of the Philippines' defence capability were exposed – its attack airforce, for example, comprised only eight ageing F5 fighters.

Even Mr Estrada has admitted the Philippines is "among the weakest when it comes to military might" and its equipment is "obsolete".

Mr Mercado says that at its first meeting under Mr Estrada this month the National Security Council gave the go-ahead officially to restart the modernisation and the government plans to issue new tenders for aircraft and patrol vessels soon.

The modernisation will be wide-ranging with a phased reduction in personnel by up to 30 per cent, a new push on training and redevelopment of bases. Reflecting the agenda of the Estrada government, the armed forces is also expected to see a shift in priorities towards areas such as disaster relief, coastal surveillance and the protection of resources such as fishing rights.

By international standards, the shopping list for equipment will be modest. The original plan called for tenders for an initial seven offshore patrol vessels and 12 multi-role fighter aircraft with an option to take up a further 12.

The outspoken Mr Mercado, who has a hawkish reputation on defence and diplomatic issues, says the numbers of vessels and aircraft are "not written in granite" and will still depend on available resources.

Although the Philippine Congress has approved the expenditure over five years, the resources available for modernisation are about 8bn pesos raised from the sale of army land in Manila at Fort Bonifacio. Further funds will come from the budgetary allocations and additional sale some extensive army property holdings in metropolitan areas.

A sign of funding restraints was the decision last year by a committee overseeing the modernisation to reduce the size of the vessels sought and to scrap plans for helicopter landing pads on them. Mr Mercado says the government will be seeking deals where there would be no cash outlay over the next two to three years.

Some defence industry analysts wonder whether the tender process may be partly aimed at gaining further leverage in negotiating surplus equipment from the US. The Estrada government is seeking ratification from the Philippine Senate for a visiting forces agreement (VFA) with the US.

Mr Mercado, who was a strident campaigner against the US bases, says the VFA and any future arms deal are not linked. He admits, however, that if the VFA goes through, the Philippines could expect some future assistance from the US.

Even if the government does proceed quickly on tenders it is likely to be at least another 18 months to two years before contracts are signed after the evaluation process.

"Research shows it takes about five to seven years for a defence contract to go from conception to the signing of the contract. This usually means that there will be a change of administration in that period and usually a few hiccups along the way," says a defence industry official.

Viagra wins speedy approval from health ministry in Japan

By Alexandra Nusbaum and Paul Abrahams in Tokyo

Pfizer, the US drugs company, yesterday announced it had received approval from the Japanese ministry of health and welfare to launch its anti-impotence drug, Viagra, in Japan.

Viagra was approved just six months after Pfizer submitted the application to the ministry, against a normal wait for approval of three years. The case of Viagra stands in marked contrast to that of the low-dose contraceptive pill which has still not been approved eight and a half years after data were submitted to the licensing authorities. Japan is the only country in the developed world where the low-dose pill is not available.

Japan faced significant political and public pressure to approve Viagra quickly. The drug is understood to have benefited from discussions between President Bill Clinton and former Prime Minister Ryutaro Hashimoto last year.

"It is no secret why Viagra was licensed so quickly," said Mitsuo Ohmi, analyst at Dresdner Kleinwort Benson. "The ministry of health and welfare was forced to approve the drug or it would be sold in the underground market."

The ministry has not yet determined if Viagra is to be be reimbursed by the national health service. In the US, about 50 per cent of the managed care organisations are believed to cover it. Viagra has been available in the US since March and in Europe since September. Since its launch, over 50m tablets have been sold, pushing total sales to $788m, according to Leslie R. Patterson, president of Pfizer Pharmaceuticals.

NEWS DIGEST

PAPUA NEW GUINEA

Loan talks to resume as job dispute ends

Papua New Guinea is set to resume talks with the World Bank about a $120m loan after resolving a dispute over PNG's move last year to hire a former World Bank official. The talks broke down over the appointment of Pirouz Hamidian-Rad, who formerly worked in the bank's PNG unit, as chief economic adviser to Bill Skate, PNG prime minister.

The Bank said the appointment breached rules forbidding former staff from working for governments straight after dealing with them as World Bank employees. Mr Skate said yesterday that James Wolfensohn, the Bank's president, had written expressing willingness to "put the issue aside". But it was unclear whether Mr Hamidian-Rad would retain his position with the PNG government.

Mr Skate said that Julian Schweitzer, the Bank's director of strategy and operations for East Asia and the Pacific, would lead a mission to PNG later this month for "substantive talks".

These would address a range of issues, including PNG's request for a $120m loan to help meet a budget shortfall. Mr Skate declared that the Bank's move reflected "confidence" among international financial institutions in his government. **Gwen Robinson, Sydney**

MALAYSIAN TRIAL

Anwar files defamation suit

Anwar Ibrahim, Malaysia's jailed former deputy prime minister, yesterday filed a defamation suit against Mahathir Mohamad, the prime minister, seeking M$100m (US$26.3m) damages. The suit alleges that Dr Mahathir defamed Mr Anwar at a news conference on September 22, at which the prime minister spoke of Mr Anwar's alleged sexual misdeeds.

Karpal Singh, Mr Anwar's lawyer, said Mr Anwar also intended to sue two US news organisations and a Malaysian daily newspaper for publishing the "slanderous" words. Dr Mahathir sacked Mr Anwar on September 2. On September 20, Mr Anwar was arrested. Mr Anwar is now on trial on charges of sodomy and related abuse of power.

He denies all the accusations as part of a "plot" to destroy him for gaining enough popularity to challenge Dr Mahathir's rule. Mr Karpal said the suit was designed to give Mr Anwar a chance to "clear his name" after the High Court ruled earlier this month that the prosecution evidence about Mr Anwar's alleged sexual misconduct was irrelevant to the abuse of power charges on which he was initially being tried. **Sheila McNulty, Kuala Lumpur**

SHANGHAI INVESTMENT

Mayor defends Sitico

Shanghai International Trust and Investment Corporation (Sitico) is in good financial health and has modest foreign debt, the city's mayor said yesterday, in an effort to reassure international creditors concerned about the health of China's trust and investment sector.

Xu Kuangdi said Sitico's foreign borrowings amounted to $170m, only 15 per cent of its total capital. Most of its foreign debt was long term, with only $30m in short-term foreign borrowing. On Shanghai's economy, Mr Xu said the city was aiming to achieve growth of 9 per cent in 1999, just below the 10.1 per cent increase in gross domestic product in 1998. **James Harding, Shanghai**

JOB CUTS HIT SPENDING

HK retail sales fall

Hong Kong's retail sales fell 20 per cent in November, the government announced yesterday, as the declining property market, job cuts and an uncertain economic outlook prompted consumers into drastic spending cuts. Motor vehicle sales dropped 32 per cent, sales of clothing and footwear 35 per cent and consumer durables 12 per cent.

Dong Tao, an economist with CS First Boston, said sales were unlikely to pick up soon. From January-November 1998, retail sales fell 17 per cent. Retailers have cut prices to boost sales, with consumer prices declining for the third month in succession. **Rahul Jacob, Hong Kong**

LEGAL NOTICES

NATWEST ENTERPRISE TRUST PLC
IN MEMBERS
VOLUNTARY LIQUIDATION

I, David John Pallen of Ernst & Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH hereby give notice that on 15 January 1999 I was appointed Joint Liquidator of the Company.

NOTICE IS HEREBY GIVEN that the creditors of the Company are required, on or before 28 February 1999 to send their full names and addresses and particulars of their debts or claims to me, David John Pallen of Ernst & Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH and if so required by notice in writing from me are, personally or by their solicitors to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated, 15 January 1999

D J PALLEN
JOINT LIQUIDATOR

Note: All known creditors have been or will be paid in full, but if any persons consider they have claims against the company they should send in full details forthwith.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES					JAPAN					GERMANY				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1988	109.9	103.2	106.8	100.2	71.0	102.3	92.3	107.8	96.0	131.0	101.4	98.2	110.0	105.9	109.9
1989	115.2	108.5	109.9	101.9	74.9	105.1	94.2	114.0	96.8	123.5	104.2	99.3	112.9	108.0	107.5
1990	121.5	113.9	113.5	104.9	73.2	108.3	95.7	120.1	99.7	108.2	107.0	101.0	117.9	110.3	109.9
1991	126.8	116.3	117.3	106.4	74.1	111.9	96.8	124.2	103.9	113.2	110.8	103.4	125.3	109.8	107.5
1992	130.4	117.7	120.1	108.4	74.0	114.0	95.9	125.6	112.8	114.5	116.5	104.9	139.1	115.3	110.0
1993	134.3	119.2	123.1	108.6	76.4	115.4	94.3	125.8	118.8	131.9	121.7	105.1	148.2	119.4	111.3
1994	137.8	119.9	126.5	107.9	74.1	116.2	92.6	128.4	118.5	137.3	125.1	105.7	152.4	112.1	109.8
1995	141.7	122.2	129.7	105.7	68.7	115.9	92.0	132.5	115.8	138.3	127.4	107.5	159.0	110.8	114.7
1996	145.8	125.4	133.9	104.8	73.4	115.8	90.4	135.8	113.2	117.7	129.3	107.1	162.7	109.7	109.9
1997	149.2	125.9	138.0	103.7	79.1	117.4	91.0	139.7	110.0	111.5	131.5	108.2	164.8	103.1	104.7
1998	151.5	124.8			82.7	118.3				103.8	132.8	107.8			104.9
1st qtr.1998	1.5	−1.6	3.0	0.7	82.1	2.1	0.5	0.0	3.8	107.0	1.2	0.6	1.2	−5.9	104.1
2nd qtr.1998	1.6	−0.8	2.8	0.5	83.5	0.6	−1.9	−0.2	7.7	100.9	1.3	0.1	1.7		104.9
3rd qtr.1998	1.6	−0.6	2.4	1.0	84.8	−0.1	−1.9	−1.9	7.9	97.3	0.8	−0.7	1.8		105.7
4th qtr.1998	1.5	−0.5			80.3	0.7				110.1	0.6	−1.5			106.5
January 1998	1.6	−1.7	2.8	0.3	82.5	2.0	0.9	−0.4	3.4	106.5	1.3	0.7	1.2	−5.2	104.5
February	1.4	−1.5	3.1	1.1	81.6	2.0	0.4	0.2	3.4	108.5	1.1	0.7	1.3	−6.2	104.0
March	1.4	−1.5	3.1	0.6	82.4	2.2	0.1	0.3	4.7	106.1	1.1	0.6	1.2	−6.3	103.5
April	1.4	−0.9	2.9	0.2	82.7	0.7	−2.0	−0.2	6.1	103.7	1.4	0.3	1.7	−4.2	103.8
May	1.7	−0.8	3.0	0.2	83.1	0.8	−1.9	−0.1	11.0	101.0	1.3	0.1	1.7		105.2
June	1.7	−0.7	2.7	1.2	84.4	0.4	−1.9	−0.2	6.0	97.9	1.2	−0.1	1.8		105.2
July	1.7	−0.2	2.1	1.2	85.1	0.0	−1.9	−2.4	8.1	97.6	0.9	−0.4	1.6		105.4
August	1.6	−0.8	2.3	0.4	86.2	−0.1	−1.9	−2.7	8.3	95.3	0.8	−0.8	1.9		105.7
September	1.5	−0.9	2.8	1.3	83.3	−0.1	−2.0	−0.1	7.4	98.9	0.8	−1.0	1.9		106.0
October	1.5	−0.7	2.0	−0.1	80.1	0.4	−2.0	0.0		108.3	0.7	−1.2	1.9		106.0
November	1.6	−0.7	1.9	−0.3	80.7	1.0				109.7	0.7	−1.6			105.2
December	1.6	−0.1			80.2	0.7				111.9	0.5	−1.7			104.9

	FRANCE					ITALY					UNITED KINGDOM				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1988	108.8	103.5	111.5	104.1	102.1	116.5	105.7	118.4	108.5	100.9	113.0	106.7	126.2	108.8	101.9
1989	112.6	108.7	115.8	105.2	99.7	124.2	112.0	125.6	113.6	105.1	121.8	113.9	137.2	114.0	100.5
1990	116.5	107.7	121.5	109.6	102.9	131.7	116.2	134.7	122.5	111.9	133.3	121.0	150.1	121.6	101.4
1991	120.2	106.4	127.1	113.4	100.7	140.3	120.0	147.9	134.2	113.1	141.2	127.5	162.4	127.9	104.4
1992	123.1	105.3	132.3	115.6	104.2	147.7	122.3	155.9	138.8	109.5	146.4	131.5	173.1	128.4	100.9
1993	125.8	103.0	135.6	118.1	106.6	153.9	126.9	161.6	145.6	95.2	148.7	136.7	180.9	127.9	93.1
1994	127.7	104.2	138.2		106.1	160.0	131.6	167.0	139.9	93.3	152.4	140.1	189.5	127.9	94.1
1995	130.0	109.7	141.5		106.1	168.6	142.0	172.2	139.6	90.3	157.6	146.0	198.0	132.6	90.7
1996	132.6	105.8	144.9		106.2	175.0	144.7	175.3	146.6	101.9	161.5	149.8	206.8	139.8	93.2
1997	134.2	106.2	149.0		102.2	178.2	146.6	181.6	148.7	102.7	166.5	151.5	215.8	144.4	108.5
1998	135.1				102.0	181.2				104.1	172.2				111.1
1st qtr.1998	0.7		2.8	n.a.	100.8	1.7	1.1	2.1	−5.7	102.3	3.4	0.6	6.3	5.8	113.2
2nd qtr.1998	1.0		2.4	n.a.	101.9	1.8	0.6	3.1	−1.8	103.4	4.0	1.0	4.6	4.6	112.6
3rd qtr.1998	0.7		2.0	n.a.	102.0	1.8	−0.2			105.1	3.3	0.5			111.7
4th qtr.1998	0.4			n.a.	103.1	1.6				105.9	3.0	0.1			107.0
January 1998	0.5	n.a.	n.a.	n.a.	100.3	1.6	1.2	1.6	n.a.	102.7	3.3	0.4	4.9	6.0	112.9
February	0.7	n.a.	n.a.	n.a.	101.1	1.8	1.3	1.7	n.a.	102.2	3.4	0.5	5.1	6.1	112.4
March	0.8	n.a.	n.a.	n.a.	101.1	1.7	0.9	2.8	n.a.	102.2	3.5	0.9	5.5	5.2	114.2
April	1.0	n.a.	n.a.	n.a.	101.4	1.8	0.9	3.1	n.a.	102.5	4.0	1.0	5.1	5.0	114.4
May	1.0	n.a.	n.a.	n.a.	102.2	1.7	0.8	3.1	n.a.	103.7	4.2	1.0	5.4	4.9	110.4
June	1.0	n.a.	n.a.	n.a.	102.0	1.8	0.4	3.1	n.a.	104.0	3.7	1.1	4.9	4.0	112.7
July	0.8	n.a.	n.a.	n.a.	100.8	1.8	0.3	2.4	n.a.	104.6	3.5	0.8	5.4	4.9	112.9
August	0.7	n.a.	n.a.	n.a.	102.0	1.9	−0.3	3.0	n.a.	105.0	3.3	0.5	4.6	4.1	111.9
September	0.5				103.1	1.8	−0.5			105.7	3.2	0.3			110.1
October	0.4				103.4	1.7	−0.9			106.2	3.1	0.1			107.2
November	0.3				102.8	1.5	−1.3			105.7	3.0	0.1			106.9
December	0.4				103.0	1.5				105.8	2.8	0.0			106.8

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York.Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

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IMPEACHMENT CHIEF AIM IS TO AVOID POLITICAL DAMAGE

Pondering trial that has just one verdict

By Gerard Baker in Washington

The Clinton impeachment

The three-week old Senate impeachment trial of President Bill Clinton, which entered a critical new phase yesterday has, throughout, been a piece of almost pure kabuki.

The elaborate solemnity of the proceedings – opened each day by a berobed William Rehnquist, chief justice, and a sergeant-at arms declaiming in eighteenth century language – has barely masked the fact there is hardly a person in Congress or in the nation who does not know the outcome.

Despite a strong performance by the prosecuting "managers" from the House of Representatives, Republicans have never looked like coming close to getting the two-thirds majority of senators needed to convict Mr Clinton and remove him from office.

Instead of being a genuinely deliberative judicial process with an uncertain conclusion, the trial has been all about form.

It was this fact that formed the backdrop for yesterday's proceedings. The opening phase completed, senators had to decide whether to go ahead with the trial, and if so – how.

Knowing what the outcome would be, the chief aim guiding the protagonists throughout has been to ensure they were conducting the process with fairness and decorum, and to avoid any lasting political damage to their cause.

For Democrats, this goal has never posed too much of a challenge. The vast majority of Americans want the trial ended immediately, opinion polls suggest. Democrats mostly share that view, and, having reluctantly gone along with the trial so far, they were eager to vote yesterday to terminate it at the first opportunity.

But it is the Republicans, with their 55-45 majority in the Senate, and who therefore in effect control the process, who have faced the trickiest set of procedural questions.

Most of the 55 senators have been torn between the desire to limit the political risks of a long trial and their need to demonstrate to their conservative followers that they have given the allegations against the president proper consideration, and were not about to let him off with the triumph of a quick acquittal.

But having allowed the first stage of the trial to unfold over the last two weeks, a number of them clearly believe they have done their duty and can now safely conclude the process. At the weekend, senators from such diverse backgrounds as Richard Shelby of Alabama and Slade Gorton of Oregon, indicated the trial should be brought to a speedy end.

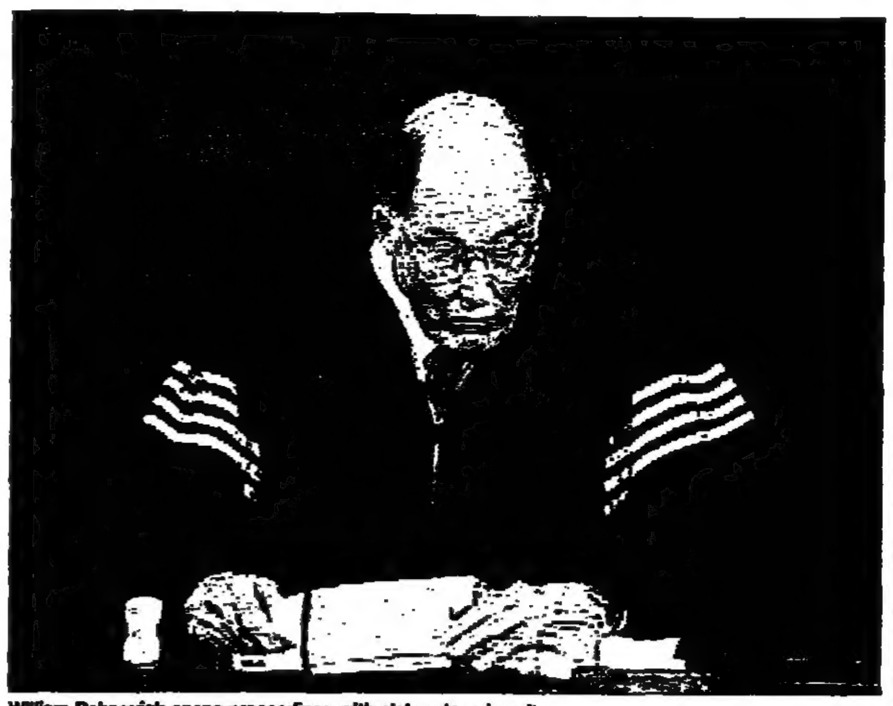
That would mean not calling witnesses – scheduled to be the next phase of the trial. A number of Republicans were strengthened in their desire to end the trial by this weekend's interview between Monica Lewinsky and the House of Representatives prosecutors. Ms Lewinsky added nothing to the thousands of pages of evidence she has already given to the impeachment process, said those who heard her.

In frantic behind-the-scenes negotiations yesterday, some Republicans tried to persuade their colleagues to abandon the idea of even considering whether to call witnesses and end the trial within a day or two, but they seemed to have failed.

Still standing in the way was a feeling among the majority of Republicans that such a short circuit would not be proper. The House prosecutors should at least be allowed to present their case for calling witnesses, which they now seem likely to begin today.

Gordon Smith, the other Oregon senator, outlined the problem when he said "the verdict of history, which a lot of us are sensitive to," had guided the decision.

But given increasing concern on the futility and ultimate political cost of witnesses among some Republicans, it is not clear there will be a majority to hear any of them. One way or another, Republicans are moving slowly towards bringing down the curtain on the kabuki.



William Rehnquist: opens proceedings with elaborate solemnity

Court boost for FCC in local markets

By Mark Suzman in Washington

The US Supreme Court yesterday reinstated controversial federal regulations aimed at boosting competition in the $110bn local telephone market, dealing a blow to regional phone companies that had strongly opposed the rules.

The surprise decision is the latest in a series of legal victories for the Federal Communications Commission, the chief US telecommunications regulator, and could reinvigorate its drive to deregulate the market at a time of growing criticism from Congress at the slow pace of competition.

In a 5-3 decision, the Court ruled that the FCC does have authority under the landmark 1996 Telecommunications Act to set the prices under which former local telephone monopolies such as SBC Communications and Bell Atlantic – known as the Baby Bells – must lease their equipment to competitors. The Baby Bells and several state regulators had argued such pricing was the responsibility of states and should not be decided at a federal level.

The ruling overturned previous court decisions that had rejected the FCC's guidelines, which required the Bells to offer steep discounts in the rates they offered for such deals.

Since the rules were first suspended in 1996, the Bells have launched a wave of lawsuits against similar regulations imposed by many states, further delaying their implementation.

However Justice Antonin Scalia said that although the law was ambiguous on the FCC's exact authority, it was fair the agency should be given some flexibility in deciding how best to execute Congress's plan to deregulate the market.

Without federal standards, legal uncertainty surrounding the deregulation process has made big potential competitors to the Bells reluctant to make the heavy investments necessary to enter the market.

Confidence in Brazil hit by trading fall

By John Barham and Richard Lapper in São Paulo

A sharp decline in trading activity on Brazilian money and currency markets is adding to economic uncertainty in the wake of the devaluation of the Real earlier this month. As a result the currency has become more volatile and dollars harder to come by for institutions and companies which rely on their use.

The Real, once the proud flagship of President Fernando Henrique Cardoso's economic reform programme, has lost nearly a third of its value in the last eight business days.

Since the currency's initial fall on January 13, the supply of dollars to the foreign exchange market – usually provided by banks, exporters and the central bank – has dried up. This is mainly because of fears over borrowers' ability to repay and uncertainties over exchange and interest rates.

Few banks are prepared to do business. The volume of daily transactions on the currency markets has shrunk from more than US$1bn a day to less than half that figure.

"After a devaluation you do not know who was betting on dollars and who was betting on Reals," said one São Paulo-based investment banker "You do not know where the bodies are buried. You can't even trust your own sister."

The central bank, which usually provides liquidity when other sources of funding are unavailable, has been largely absent from the market, as it seeks to protect reserves now down to about $36bn.

The thinness of trade means that relatively small transactions are having an exaggerated effect on price movements. Last Thursday a $100m transaction panicked the market, sending the Real down 12 per cent.

Companies have tried to hedge more to protect themselves from further devaluation, jamming the São Paulo futures market and driving interest rates up. Brazilian government bonds fell by more than 8 per cent on international markets that day, to little more than half their face value.

The cost of loans needed to finance exports has increased to a point where few businesses are prepared to accept terms. Export loans – priced before last summer's turbulence in financial markets at about 1.5 per cent above the London interbank borrowing rate (Libor) last year – have risen to more than 7 per cent above Libor.

"If you really need the money, banks will lend at these rates," says Josmar Verillo, chief executive at Klabin, Brazil's biggest paper company. "But nobody is taking it. They are waiting to see what happens."

Confusion in financial markets is slowing the pace of activity in the real economy. Unsure about their future costs, businesses have been reluctant to set prices. Car companies announced increases of more than 10 per cent last week, although General Motors later eased its price rises.

Other industries are revising initial decisions not to increase prices in the light of the steeper than expected fall in the value of the Real.

"At the beginning, when [the Real devalued] 10 per cent, we said we would not accept any movement [on prices]. But now there will be renegotiation across industry," says Mr Verillo. "If your costs go up, there is no other way out – you have to increase your prices."

Although analysts say the Real's decline is unlikely to fuel heavy inflation, some people are taking no chances. Clients of a big Brazilian bank trying to invest in one of its dollar-linked investment funds could not get through to dealers on Friday because telephone lines were so congested.

Anecdotal evidence indicates that confusion has simply stopped sales. "I tried to buy two PCs last week but nobody would quote me a price," says Erika Lorenz, a secretary.

"When they did, the shops were using exchange rates from R$1.20-R$1.60 per dollar."

Real continues under pressure

The Brazilian Real continued to depreciate against the US dollar yesterday, though trading was limited by a public holiday in São Paulo, Geoff Dyer writes.

By mid-afternoon, the Real had weakened by 4 per cent to R$1.79, after it had closed at R$1.72 on Friday.

Traders said that there was no evidence yesterday of intervention by the state-owned Banco do Brasil, which sold dollars heavily on Friday, in an effort to stabilise the currency.

Economists said that strong capital outflows, which reached $524m on Friday, would keep the currency under pressure.

The government has denied it will introduce capital controls in response. Yesterday it said it would unify two parts of the foreign exchange market, a step thought to make capital controls more unlikely.

On the web today
● Republicans cheered by Supreme Court ● Ecuador to halve budget deficit ● Chávez accused by opposition ● Chile claim on Pinochet trial attacked
http://www.ft.com/americas

US companies bid for $2.5bn ships deal

By Alexander Nicoll, Defence Correspondent

Boeing and Lockheed Martin are among six companies invited yesterday to take part in the first design phase for a £1.5bn ($2.5bn) contract to supply two aircraft carriers to replace the Royal Navy's existing three.

The successful bidder for the contract will be decided in 2003 and the first ship is due to enter service in 2012. The Ministry of Defence is stipulating that the ships must be built in the UK.

The other companies are Raytheon of the US; Thomson-CSF of France; British Aerospace; and Marconi Electronics Systems, the defence subsidiary of General Electric Company of the UK.

The decision to build two carriers of about 40,000 tonnes, double the size of the existing Invincible class, was announced last year. The UK defence ministry has set a maximum price of £740m per ship, excluding the 50 aircraft which each will carry.

The ministry issued separate invitations to the defence systems arm of BAe and Marconi Electronics Systems. BAe and Marconi will work separately on designs pending regulatory scrutiny of BAe's acquisition of Marconi, agreed last week, but are expected to put in one bid if the deal is cleared.

Of the six, only Marconi has its own shipyards. However, big defence contractors place weight on their ability to operate as "prime contractors" or managers of design and manufacturing, with many areas of the work subcontracted. The defence ministry believes there are five UK yards with the capacity to build the carriers: Harland and Wolff in Northern Ireland, Kvaerner Govan in Scotland, and Marconi and Swan Hunter in northern England.

The design of the ships will depend on the choice of aircraft, to be made by the end of next year.

Three of the companies will be chosen this autumn for £5m studies of a variety of designs. Two will be selected for £20m "risk reduction" contracts, with the final choice between them to be made in 2003.

Since the programme is being run under the defence ministry's new "smart procurement" methods, it will bring together military personnel, government officials and executives from industry.

The ministry is to hold a competition to fill the team leader post, open to executives from the tendering companies and to naval and procurement staff. The winner would have to become a government official if not one already.

The ships will be much more sparsely manned than existing Royal Navy carriers, with a total complement of about 1,200 including air crews.

Among possible aircraft for the new ships are the US Joint Strike Fighter, which Boeing and Lockheed are competing to build; an adapted version of Eurofighter; and Boeing's F/A-18 Super Hornet.

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NORTHERN IRELAND SINN FEIN'S CHIEF NEGOTIATOR ACCUSES UK MINISTER OF SHARP PRACTICE

Adams boycotts talks to discuss beatings

By John Murray Brown in Belfast

Members of Fair (Families Acting for Innocent Relatives) staged a protest in Belfast, Northern Ireland's principal city, yesterday when Adam Ingram, the UK government's Northern Ireland minister for victims, met relatives of eight Irish Republican Army men who were shot dead by British special forces as the IRA group prepared to bomb a police station in County Armagh in 1987. The protesters later confronted the relatives though nothing more than heckling occurred. Press Association

Gerry Adams, president of Sinn Féin, yesterday boycotted a meeting called by the UK government to discuss the "punishment beatings" meted out by the Irish Republican Army, the party's military wing.

Martin McGuinness, the party's chief negotiator, accused Mo Mowlam, chief Northern Ireland minister in the UK government, of "sharp practice" and "hyping" the meeting, which was attended by Alec Maskey, the party's criminal justice spokesman.

Last week Tony Blair, the UK prime minister, rejected opposition calls to postpone further releases of paramilitary prisoners in Northern Ireland until there was an end to the beatings.

Ms Mowlam's move marked a government response to growing popular anger at the attacks, which human rights groups say have increased this month. "My message will be very clear," she said before the meeting with Sinn Féin and "loyalist" parties linked to paramilitary groups. "In the Good Friday [April 1998] agreement it says they should do everything within their powers to stop punishment beatings."

Families Against Intimidation and Terror (Fait) claims that in the past month alone, the IRA has shot four people and beaten up 12, while anti-republican "loyalists" have been responsible for six shootings and 15 beatings.

Unionists and conservative backbenchers had earlier welcomed Ms Mowlam's decision to confront the political leaders of the paramilitaries after months of apparent official indifference to the problem.

Probation officials say the beatings are often carried out in response to approaches to the local paramilitary groups to sort out a local dispute or combat crimes described by the paramilitary groups themselves as "anti-social behaviour". But Fait and the police say the attacks are a cynical attempt by the IRA and its loyalist rivals to exert continuing control over their communities, in the wake of the ceasefires.

David Ervine, chief negotiator of the Progressive Unionist party, political wing of the banned Ulster Volunteer Force, conceded that the beatings were "immoral and reprehensible". But he insisted the paramilitaries were only reacting to approaches by people in the community.

Mr Maskey, Sinn Féin assemblyman for west Belfast, claimed his party had "consistently over a long period of time" called for an end to the beatings.

Former regulator launches probe into banks

By George Graham, Banking Editor

UK banks breathed a sigh of relief yesterday as Don Cruickshank, the former telecommunications regulator, launched a sweeping government review of the industry but dismissed talk of a windfall tax on bank profits.

Mr Cruickshank said his review would focus on competition in payment systems, credit card processing and the supply of credit for small business. The government ordered the review amid consumer dissatisfaction with clearing banks and government worries that a lack of competition and innovation was holding back UK economic performance.

Mr Cruickshank said he would also investigate the operations of Visa and MasterCard, the two principal payment card groupings which have already come under attack from the US justice department.

Mr Cruickshank apologised that his opening consultation paper on banks did not take a tougher line from the outset. "It may not appear at first sight as a rallying cry to address the things consumers have said they are concerned about – overcharging, poor service and failure to understand the needs of small businesses. But alleged failings like these can only be addressed by first understanding the competitive structure of the industry."

The Treasury-ordered review will, in particular, explore whether small businesses are forced to rely on a single bank for loans because of their dependence on its cheque and payment clearing services.

It will also look at whether consumers are penalised because banks have "bundled" services together, such as tying loans to current accounts. Any requirement to unbundle services could create problems for banks, who are often seeking to keep customers' loyalty by offering packaged products.

Banks such as Halifax offer their customers a discount which rises with every additional product they buy. However, unbundling would also, logically, lead to the reintroduction of bank charges for basic current accounts. These are unprofitable – unless the customer keeps very large credit balances or is a borrower.

Bank shares fell widely yesterday, partly in anticipation of the review. But banks were relieved by first reading of the consultation paper. Andrew Blessley, director of marketing and distribution at NatWest, said: "We welcome the scope of the investigation. I think it's right that it concentrates on competition."

NEWS DIGEST

TOURIST KIDNAP DEATHS

Yemen wants extradition of Moslem group's chief

Yemeni government officials yesterday asked the UK to allow the extradition of Abu Hamza Al-Masri, head of a London-based Moslem organisation. Mr Abu Hamza has admitted being in contact with kidnappers who seized 16 tourists in Yemen shortly after Christmas. Three Britons who were among the 16 later died in a rescue attempt by the Yemeni authorities.

President Ali Abdullah Saleh claimed yesterday that Mr Abu Hamza was directing terrorist activities from the UK. Mr Abu Hamza, who runs the Supporters of Sharia group from a mosque in north London, said he would fight the extradition request. "The record of Yemen in human rights is not good," he said. "It makes it very cheeky for them to ask to try me." **Andrew Parker, London**

PERSONAL SAVINGS SURVEY

Investment jumps by a third

Investment in personal equity plans and unit trusts (mutual funds) jumped a third in December as savers looked for an alternative to low interest rates on savings accounts and appeared to begin worrying about the shrinking state pension, industry figures showed yesterday.

The survey by the Association of Unit Trusts and Investment Funds (Autif) also showed that fund management houses took the lion's share of private investors' money, leaving banks and insurance companies with a shrinking market share. However, all sectors saw growth as the market expanded. Fund management companies such as M&G, Jupiter or US-owned Fidelity increased sales by 23 per cent on the year, while life insurers managed a rise of only 8 per cent to £1.7bn and saw their share of the market fall back. **James Mackintosh, London**

CJD VICTIM'S INQUEST

Natural causes ruled out

An inquest into the death of Britain's first victim of new-variant Creutzfeldt-Jakob Disease, which has been linked to the BSE epidemic in cattle, yesterday concluded he died as a result of misadventure.

A coroner in south-west England said that Stephen Churchill, aged 19, did not die from natural causes. The coroner said it was likely that the youth, who died in 1995, was infected by the BSE agent in an isolated and random meal involving contaminated meat. The inquest had heard evidence from Dr James Ironside, who heads the National CJD Surveillance Unit at Edinburgh, who concluded that in 35 cases of new variant CJD the likely cause was a dietary source. A total of 32 people have died from nvCJD since 1996. Scientists say it is too early to predict how many people will develop the fatal brain disease because of its long incubation period. **John Mason, London**

● Meat hygiene inspection staff in Unison, the public service trade union, will strike for 24 hours on 2 February, it was announced yesterday, **Robert Taylor writes.** Further strikes over a pay claim are to be called if the Meat Hygiene Service refuses to enter into negotiations to settle the dispute, the union said. The union says it represents the majority of meat hygiene inspectors who work in the UK's 400 abbatoirs.

GENETICALLY MODIFIED FOOD

Writers launch protest

Some of the UK's leading food writers will today launch a campaign against genetically modified food which they describe as "imposing a genetic experiment on the public, which could have unpredictable and irreversible adverse consequences". The food writers' campaign is a further blow to the pioneers of GM crops in the UK such as Monsanto. Acting in association with Greenpeace, the pressure group, over 100 food writers and restaurant critics have endorsed the statement: "As food professionals we object to the introduction of genetically engineered foods into the food chain . . . we are deeply concerned that this is the wrong direction for food policy to take."

Monsanto said it was "dismayed" by the food writers' willingness to endorse the views of Greenpeace on genetic engineering. **Vanessa Houlder, London**

UNIVERSITY BOAT RACE

Fund manager is new sponsor

Oxford and Cambridge universities yesterday ended a nine-month search for sponsors of their annual boat race on the river Thames in London when they announced a new deal with Aberdeen Asset Management, the UK fund manager which manages investments of more than £14bn ($23bn). Aberdeen is one of the UK's top 10 managers in terms of sales and is quoted on the London and Singapore stock markets.

Martin Gilbert, Aberdeen chief executive, said Aberdeen "was paying a good price" for the right to sponsor the boat race for the next six years with a mutual break clause after three years. **Phillip Halliday, London**

Ancient village fights for its field

By Brian Groom in London

Sunningwell village, south of the university city of Oxford, is many centuries old. It has a medieval church, a village pond and a 2.5ha open field that is becoming the latest focal point in the war over housebuilding in rural England.

The Countryside Commission, the government's official countryside adviser, is backing a test case brought by the local parish council, which wants the field, called Sunningwell Glebe, registered as a village "green".

But the Protestant Church of England's Oxford diocese, which owns the land and plans to build houses there, says owners of similar open land will be forced to fence it off to prevent such moves happening elsewhere.

The commission says such spaces in towns and villages are often the only green areas left for a walk or children's play, but they have become a prime target for development. It supports communities that want to protect spaces by having them registered as village or town greens.

Local people can have spaces registered if they show they have used an area for recreation "as of right" for at least 20 years, under legislation passed in 1965.

Fifty new greens have been registered since 1990, taking the total to 3,664, but recent decisions by the Court of Appeal have interpreted the law so restrictively that registrations have ground to a halt. The commission wants the rules clarified.

Biggest business lobbies differ sharply on euro

By Kevin Brown, Industry Editor

What they think about the euro

British Chambers of Commerce
Enter as soon as the economic conditions are right

Confederation of British Industry
Join if the economic conditions are right

Institute of Directors
Stay out for the foreseeable future

Federation of Small Businesses
Opposed to entry at any time

The biggest UK business lobbies offer four different views of the euro, which was launched in 11 European Union countries excluding the UK this month.

They disagree on the economic case for membership, the significance of constitutional arguments, and the balance of opinion within the business community as a whole. But they agree on one thing: the game is not yet over.

The least sympathetic to UK membership of the euro is the Federation of Small Businesses, which says its 127,000 members – ranging from sole traders to companies employing 250 people – are overwhelmingly and implacably opposed.

"No political party or organisation can speak with 100 per cent support of its members, and we do have a minority which is in favour. But about 94 per cent oppose the single currency," says Brian Prime, policy unit chairman.

The Institute of Directors, which has about 47,000 individual members, says that talk of never entering is "silly" but rules out entry for the foreseeable future on the grounds that the risks far outweigh any potential benefits.

Tim Melville-Ross, IoD director general, concedes that some members oppose this line, but claims that the vast majority supports both the policy and the organisation's close links with the lobby group Business for Sterling.

Officially, the Confederation of British Industry, the UK's principal employers' organisation, is in favour of UK membership only if the economic conditions are right.

But Sir Clive Thompson, CBI president, has been substantially more direct since he took office last year. While Adair Turner, director general, has stuck to the official line, Sir Clive said at the CBI conference that the government should set a target date for entry as soon as possible. While the two positions are not irreconcilable, the CBI position has become blurred.

So the organisation will be checking in the second quarter of the year whether its 2,500 direct and 200,000 indirect members want to harden the policy.

The British Chambers of Commerce, which is also about to consult its 120,000 member companies, is the only organisation to offer positive backing for UK participation, although its support is not unqualified.

"The UK should enter European monetary union as soon as the economic conditions are right," says Chris Humphries, director general. "We are not campaigning for immediate entry, but we are saying that we should be taking steps towards it."

Some of the divisions can be explained by different membership profiles. The CBI and BCC include many big and medium sized exporters, which are more likely to favour the euro than companies trading mainly within the UK.

Lady in the Lords prepares to eject members from the club

Andrew Parker meets Baroness Jay, the woman Tony Blair has chosen to steer legislation reforming the unelected upper house

Tony Blair could not have conjured up a better contrast. While the opposition Conservative party continues to appoint male leaders in the House of Lords, last year the prime minister chose a female minister to oversee the contentious legislation to eject titled aristocrats from the unelected upper chamber of parliament.

Baroness Jay, the Labour government's leader of the Lords, may not have inherited her title, but she is certainly part of a political dynasty. Her father is Lord (James) Callaghan, the last Labour prime minister before Tony Blair, and she was formerly married to Peter Jay, the former UK ambassador in Washington and BBC economics guru.

Margaret Jay swapped journalism and work connected with the state health service for a full-time political career in 1992, after being made a life peer. Her rise has been swift, but colleagues are not surprised.

She insists that the creation of regional assemblies in the UK, incorporation of the European Convention on Human Rights into UK law and parliamentary reform have not been conceived piecemeal. "We do think House of Lords reform is very much part of the jigsaw . . . it could be the way in which these other elements relate to each other," she says.

Lord Callaghan has told his daughter that the bill to abolish the historic rights of the 750 hereditary peers such as dukes, earls and other varieties of lord to vote in the upper house has been greeted with a sense of resignation rather than anger.

She says "electoral colleges" will be set up by the three main political parties and the independent non-party lords to choose the 91 hereditary aristocrats who will win a reprieve.

While Baroness Jay says she does not want to pre-empt the work of the new commission charged with producing a blueprint for a revamped upper chamber, she suggests it may not need to take a lot of evidence because the literature is "enormous".

The Labour government's determination arises from the long-standing ability of the unelected upper house, with its unbroken Conservative majority, to frustrate legislation passed by the elected House of Commons.

Last week's government paper on the commission's terms of reference says a reformed House of Lords must not "usurp" the role of the House of Commons, and suggests that the powers of the upper house could be reduced. Baroness Jay says an enhanced function for the Lords could be "scrutiny of European legislation", and agrees there may be a case for a constitutional committee in the second chamber to monitor the reforms.

Her proposed new function reinforces the paper's underlying message that the government would like the commission to propose an upper chamber of members partly appointed and partly indirectly elected.

The indirectly-elected representatives would come from the new assemblies in Scotland, Wales and Northern Ireland. Baroness Jay is keen for the upper chamber to maintain a reputation for expert scrutiny of government by drawing on the expertise of appointed life peers from professional backgrounds.

She argues that a reformed Lords should offer its members salaries and proper secretarial support; at present peers only receive expenses. "If you want good government you have to pay for it."

She is not so keen on losing the House of Lords name. However, she agrees that the ceremonial ermine robes the peers occasionally don should go. "When Margaret Beckett [leader of the House of Commons] and I were involved in the [state] opening of parliament, with Margaret so elegant in her beautiful black trouser suit and me stumbling about in my ermine robe, I knew which one I would have preferred to have been in."

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MANAGEMENT CORPORATE ETHICS

Exporting better business practices

Ethical policies are being forced on to the agenda for many companies doing business abroad, writes **Alison Maitland**

You have been sent to investigate a fraud claim made against your company by the customs authoritiesin one of the countries where you do business. On arrival, an officer explains you are being fined for under-declaring the number of safety boots imported.

You notice he is wearing a pair of the "missing" boots. Do you point this out, at the risk of disrupting future business, apologise and pay the "fine", or take his name and address and promise to send him another pair next year?

Pressure is mounting on companies to confront these sorts of ethical problems, which can plague transactions from the smallest overseas business deal to bids for the Olympic Games. Ethics is "the hot issue in international companies", says Kenneth Rushton, company secretary of Imperial Chemical Industries, who is overseeing a review of the group's code of conduct.

Public relations disasters, such as Shell's traumas over the Ogoni people in Nigeria, have pushed human rights and sustainable development on to the agenda and forced international companies to formalise ethical policies.

"There is a profound concern, even mistrust, of multinational companies among the public and we as companies need to act in this way to protect our reputation," says Mr Rushton.

Another motivation is the transparency created by the internet. "Increasingly there's no place to hide," says Rushworth Kidder, president of the US-based Institute for Global Ethics.

"What I see happening, especially in the US, is that every company that has any kind of international activity has attracted around its periphery a bunch of web sites devoted to exposing everything this company does."

Increasingly sensitive issues include sweatshop labour. This month, lawyers filed suits for more than $1bn damages against US clothing manufacturers and retailers for alleged exploitation of Asian workers in the Northern Mariana Islands in the south Pacific, the first such action brought in this sector.

Some ethical cases may seem clear cut. In reality, one "right" is often pitted against another, says Mr Kidder. In the case of the corrupt customs officer, this might be the moment to pull out, the final proof that conducting business ethically in that country is impossible. On the other hand, paying up might be justified as a lesser evil than losing the contract and destroying desperately needed local jobs.

Pressure groups, business organisations and international bodies are all trying to steer a clearer course through these murky waters.

The European Parliament has just agreed a voluntary code of conduct for multinationals operating in the developing world. The UK Foreign Office is drawing up a guide, aimed at small and medium-sized companies, to help them act responsibly abroad. It is gathering views from business, human rights and environmental groups, and governments including the US and Sweden.

The guide is likely to include best practice on the environment, employment issues such as child labour, corruption, human rights and preventing local conflicts over operations such as oil extraction.

Business organisations are trying to steer a clearer course through these murky waters

Companies at the sharp end say that achieving a good reputation can mean sacrificing profits in the short term. US companies have long felt disadvantaged by the Foreign Corrupt Practices Act forbidding them from bribing foreign officials. But other countries are finally falling into line.

Next month an anti-bribery convention drawn up by the Organisation for Economic Co-operation and Development comes into force. This should mean an end to the widespread practice among OECD governments of allowing companies to treat bribes as tax-deductible expenses.

Businesses faced with this plethora of rules might be forgiven for feeling bewildered. Official guidance can be a useful start, especially for companies with little overseas experience, says Mr Kidder. But ideally companies should draw up their own codes, giving staff a chance to agree values and commit themselves to them.

Ethical dilemmas can arise in trying to write a universally acceptable standard. Declining a gift from a business contact can violate social customs in some cultures. Reference to "Foreign Corrupt Practices" can cause offence.

"Companies have to work with local managers in the creation, communication and enforcement of the code, otherwise it can be seen as ethical imperialism," says Edward Petry, executive director of the Massachusetts-based Ethics Officer Association, which has 560 members from US and European multinationals.

Letting standards slide to fit local custom can be equally unhealthy. Facilitation payments are widely used to speed up services and are often handled by a local agent. But how should a company deal with an employee caught making such payments in a country where they are illegal but still part of business life?

Compromising core values is dangerous, and common standards must operate globally, argues Mr Rushton of ICI. Nor are these necessarily hard to agree, as the group found when it ran a seminar in Vietnam for local managers in its manufacturing and sales operations. "They went away and wrote an action programme," he says. "Safety would be the first item on every management agenda. The second item would be business ethics."

Agreeing a code is one thing, ensuring compliance is another. Accountancy firms are working on ways to monitor and verify proper business conduct. Heads of ICI business units are required by the group's internal audit committee to confirm they have communicated the ethical code to staff and declared any breaches. Staff worried about breaches are encouraged to report to their line manager or the internal auditors.

Tackling the issue head-on can help salvage corporate reputations: Shell is now regarded as a leader in terms of ethical commitment.

At ICI, Mr Rushton believes ethics can be integrated into corporate strategy by using high moral standards to attract quality recruits and to win customers. "I see nothing wrong in using your code of conduct for competitive purposes."

Dealing honestly in foreign markets

Fergus Robertson, marketing director of CSM, an Aberdeen-based oilfield supply management company, has more than 20 years' experience in the oil industry in south-east Asia, the Middle East and now the Caspian region.

He recommends that businesses:

- Be honest and build sincere relationships: it may take time but it pays. He recalls sitting late into the night drinking gallons of tea with villagers in Yemen to win their agreement for the Hunt Oil pipeline when he was involved in support operations there in the mid-1980s.
- Avoid trying to reorganise the way another country does business. "When people are starving it's very difficult not to close your eyes to some small thing that's helping them not to starve." Instead, demonstrate your company can be truthful and successful.
- Have an absolute rule that no employees make payments that could be construed as corrupt. Making clear you do not give bribes stops the rot setting in.
- Heed the advice of experienced people and avoid hasty decisions on local partners.
- Avoid countries where contracts are difficult to implement, or corruption reaches the top echelons of power: see table, right.

Where to do business

The most corrupt*		The least corrupt*	
1	Cameroon	1	Denmark
2	Paraguay	2	Finland
3	Honduras	3	Sweden
4	Tanzania	4	New Zealand
	Nigeria	5	Iceland
6	Indonesia	6	Canada
7	Colombia	7	Singapore
	Venezuela	8	Netherlands
9	Ecuador		Norway
10	Russia	10	Switzerland

* Perception of the degree of corruption as seen by business people, risk analysts and the general public out of a total of 85 countries

Source: Transparency International

TIM JACKSON

Dictation software that's all talk

IBM's voice activated system is fast and accurate enough to replace the keyboard after a brief training session – and has the potential to change the way we work

Rarely do you come across a product with the potential to change the way millions work. Yet that is precisely how the ViaVoice98, a dictation software package from IBM, must be described.

There has been software that claims to allow you to "talk to your PC" – but so far it has had little more than curiosity value. The need to pause between each word, or to use a limited vocabulary, made it useless as a replacement for typing.

ViaVoice is different. It was displayed at a conference a few months ago, where an IBM demonstrator was showing it to insiders and eliciting awed responses. Speaking at a rate that would be very fast for dictation but relaxed for speech, he was entering almost flawless text into Microsoft Word 97 using a headset and a notebook PC.

Last week, I tried out a copy offered to people at the conference. After a five-minute set-up from CD-Rom, you train the software to the idiosyncrasies of your voice by reading sentences from the screen, then leaving the software for 20 minutes or so to improve its recognition.

After dictating 100 sentences – which took less than half an hour – the software behaved like a secretary who was slightly hard of hearing, unfamiliar with spoken English, but extremely intelligent and well-read. It got many words right, spelt everything perfectly, but made some bizarre mistakes.

The problems arose during attempts to issue editing commands in Word, such as "Italicize on" or "Select from here to end of document". The text used was probably unfair: a page from Anthony Trollope's *Barchester Towers*, rich in sentence structure and replete with words such as "prebendary", "Tractarian" and "extremest" – hardly the kind of language likely to appear in any business letters or e-mails you receive this week.

I completed the software's training by dictating another 350-odd sentences, including a chunk from *Alice in Wonderland*, some information about dinosaurs and a few quotations. I then left the software to assimilate the information and went to bed.

Next morning, matters had improved dramatically. Paragraphs from the Financial Times about UK internet stocks went in, almost perfectly, at more than 100 words a minute. The software also showed an impressive ability to use context to distinguish between homophones such as principle and principal.

It was easy to trip up the package with sentences like "She sells sea shells on the sea shore" or "Peter Piper picked a peck of pickled pepper". But again, these are not things you are likely to need in business. It would take perhaps another 20 to 30 hours of careful work to achieve the accuracy of the IBM demonstrator. But for people other than professional typists, ViaVoice98 will be a revelation. With prices starting at less than $100, it spells the beginning of the end for typing pools and academic transcription services. Its interface is even simple enough to attract computerphobics who think themselves too far gone to adapt.

It spells the beginning of the end for typing and transcription services

At first, the need to train by dictating will be a barrier to market acceptance. So will the requirement to train separately for each microphone you use and each room where you work, and the fact that the software seemed to have trouble keeping up on a notebook running a Pentium 233 processor rather than the more common Pentium-II.

But ViaVoice98 is clearly a product that will create a market which will eventually change the way we work worldwide. It may also have profound effects on the web. Until now, I was suspicious of the idea that the broad mass of consumers will access the web by handheld devices or televisions, largely as it is so much harder to enter data using these than by using a computer keyboard.

I now expect to be proved wrong. As software such as ViaVoice 98 gets better, web users will increasingly be able to do most things without a keyboard.

And phone-activated computer systems will grow. There are already clever products on the market, such as WildFire, which provide powerful services by means of a limited vocabulary. As the software gets better, these services will proliferate.

Does this mean the keyboard itself will become an industrial relic, like the eight-track stereo cartridge or the office photostat? Probably not. For most users of office software, the presence of a microphone for dictation will not remove the convenience of having a keyboard to enter commands.

But the message from ViaVoice 98 is loud and clear: computing and web browsing will never be the same again.

tim.jackson@pobox.com

PEOPLE ON THE MOVE

Lim and Loh resign from UBS's East Asian operations

Lim Ho Kee, who built up UBS's powerful investment banking business in East Asia, has resigned along with **James Loh**, his right hand man.

Lim, chairman of Warburg Dillon Read in the region, and Loh, former head of trading in Singapore, are stepping down a year after UBS merged with the smaller Swiss Bank Corporation.

They are two of the highest-profile casualties of last year's merger with UBS which has seen many of the top jobs in the old UBS go to SBC executives.

Lim, the first non-Swiss to sit on the executive board of the old UBS, wielded considerable power as chairman of UBS's successful East Asia business.

He was responsible for building the old UBS into one of the strongest investment banks in the region. But after the merger, UBS restructured its management and took away much of the power of the "regional barons", such as Lim.

After the merger, Lim was given the non-executive role of regional chairman for Warburg Dillon Read and Loh was made regional head of fixed income. Lim will not be replaced.

According to a senior UBS official in Singapore, Lim had never felt comfortable since the merger and the new global functional organisation reporting lines had eroded his power base.

Last year, both men were in the headlines following an article in The Economist critical of credit risk management at UBS's Singapore branch. UBS categorically rejected the criticisms but declined to sue the magazine because it was worried about stirring up more bad news about the bank at the time of the merger.

According to reports in the Singapore media, the two men are close to settling their differences with The Economist.

William Hall, Zurich

Triumvirate at Aker

Aker Maritime, an oil service unit of Norwegian holding conglomerate Aker RGI, last week announced a restructuring to prepare for a possibly protracted period of depressed oil prices.

From February 1, the company will have a new corporate executive office, comprised of **Sverre Skogen**, chief executive, and **Tor Bergstrom**, chief financial officer, in Oslo, and **Svein Eggen**, chief operating officer in Houston.

Eggen takes on the newly-created position and is replaced as head of Aker Maritime in the US by **Lasse Petterson**, previously head of Aker Maritime UK. **David Rayburn** takes over from Petterson, becoming the first non-Norwegian at its highest management level in the company's history.

The company said the decisions strengthened the group's central strategic leadership and placed more emphasis on international markets. The three-man corporate executive office will have direct responsibility for business acquisition strategy, technology, front-end change processes and corporate networks.

The restructuring comes amid consolidation in the petroleum sector and falling oil prices, which have caused oil companies to postpone their projects. Skogen warned in October at the company's third quarter presentation that some of the market segments – such as drilling products and UK field development – that it relied on had already experienced reduced demand.

The company's six business areas, including the newly-created seismic service unit Aker Geo, will remain unchanged.

Valeria Sköld, Oslo

Greenquist flies back to GM

The post of finance chief of General Motors Europe tends to be reserved for high fliers. **Deborah Hopkins**, who had done the job for three years, flew off to Boeing last November to be its chief financial officer. Now, GM has poached Hopkins's successor from the US airline industry.

Boston-born **Mark Greenquist**, 40, has quit Delta Airlines, where he was treasurer, to become vice-president, finance, General Motors Europe. He will head the overall co-ordination of GM's financial affairs in Europe. Greenquist's appointment comes only two years after he quit GM to join Delta.

After graduating in finance from New York's Columbia University in 1987, Greenquist joined GM's finance staff in New York and moved to Europe the following year as manager of GM's European regional treasury centre in Brussels. He was in charge of foreign exchange and director of investor relations before taking over as treasurer of Saab Automobile in Sweden in 1992.

In 1994 he took over as finance director at GM Poland and a year later became managing director. During his time in Poland, GM decided to invest DM530m ($313.6m) in a new Opel car plant in Gliwice. In May 1996, he returned to the US as assistant treasurer of General Motors Corporation.

William Hall, Zurich

Geissinger at helm of INA

One of Germany's up-and-coming technological managers has been selected by INA, the privately held German company which is Europe's third-biggest maker of rolling bearings, to provide the business with a more global structure ready for the next century.

Jürgen Geissinger, 39, has taken over as president of the company from Lorenz Raith, who has retired.

Geissinger comes to INA, based in Herzogenaurach near Nuremberg, from a career running large parts of ITT Industries, the US industrial company. He was previously assistant to the chairman at Heidelberger Druckmaschinen, the German company which is the world's biggest maker of printing machines.

INA, with annual sales of more than DM4bn, has 31 factories worldwide and more than 24,000 employees.

Even though only about 40 per cent of its sales are in Germany, the company in the past has had a fairly centralised management structure with most of the decisions taken in Herzogenaurach where the company was founded in 1946 by Georg and Wilhelm Schaeffler, two brothers.

The company is a leader in bearings, used in a variety of industries including vehicles, factory machinery and domestic appliances.

The two biggest makers of these products in Europe are SKF of Sweden and FAG Kugelfischer of Germany. INA, which is still owned by the Schaeffler family and says it intends to stay this way, is also a big maker of a variety of other mechanical component for cars such as clutch systems.

"Part of my role will be to change the structure of the company where necessary, to make it into more of a global business," said Geissinger, who previously was in charge of ITT's European automotive businesses and ran its brake systems operations worldwide.

These jobs effectively disappeared when ITT sold its automotive operations last year to Valeo of France and Continental of Germany. Geissinger said he had been looking for a challenge and decided on the INA position after mulling over several other posts in industry and banking.

After his seven years working for the publicly quoted ITT – where he had offices in Frankfurt and Detroit – Geissinger said it was "definitely strange" to work for a company with no outside shareholders. But he saw no reason to discontinue INA's policy of providing only meagre financial information to people outside the company: "I don't see the added value of publishing information [that could help competitors]. As long as we are not required to provide this information, we won't publish it."

Peter Marsh, London

People on the Move is edited by Lisa Wood. Phone 00 44 171 873 3605.

مكرر من الاصل

هكذا أمن الإجل

Geissinger at helm of INA

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For further information, please contact Rob Birchall or Paul Bagnall of PricewaterhouseCoopers, 31 Great George Street, Bristol BS1 5QD.
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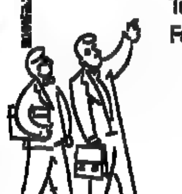

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THE ARTS

A portentous presence, but the devil is in the detail

Andreas Gursky's photographs prompt us to look at the insignificance of human beings in the modern material world, writes **William Packer**

Andreas Gursky, whose work of the last five years has now come to the Serpentine Gallery at the mid-point of an extensive European tour, is a photographer with a global reputation. Now 44, he studied at the Dusseldorf Academy under Bernd and Hilla Becher, themselves among the most distinguished photographers of the preceding generation. He stands clearly in their debt, most certainly in the cool, ironical distance he maintains between himself and his subjects, if not in the actual scale of the images he produces. *His* might be a distant, deserted landscape reduced to near-abstract simplicity, or the bedlam of a dealing-floor viewed from above, as it were a newly-kicked ants' nest beneath one's feet, with an impersonal curiosity, and theirs the no less impersonal yet monumental industrial presence of pit-head or cement works; but the essential sensibility is very much the same. And, like his teachers, Gursky is an artist.

The status of photography as art, and the consequential standing of the photographer as artist, is still held to be debatable in some quarters. The trouble is that we are all photographers; yet to argue from that an equality of achievement is to embrace a dizzying improbability. My own view is that the camera is a tool available to the artist like any other, to be used for its peculiar qualities within its limitations. And if he really is an artist, what he does with it might just be art. It is the work that counts.

But we live in a time when the technology of art seems to advance exponentially by the week, with young artists inevitably seduced away from slower, more manual disciplines by the immediacy, convenience, the sheer plausibility of the photographic image. The giant, immaculate colour-print that would seem to inflate banality into significance is now the commonplace of every bright "contemporary" gallery, every "contemporary acquisitions" display in the museum, every "emerging artists" collective show.

Andreas Gursky's photographs are indeed very big, sometimes getting on for 4ft by 6ft, and in the face of such portentous presence a certain initial scepticism is perhaps only to be expected. But it is what the artist does with it all, and why, that matters, and it soon becomes apparent that these huge images are no mere megalo-indulgence, but are as they are because that is how they need to be. Any smaller and they would lose their point, for they would be impossible to read.

But this purely practical consideration has then to be sustained aesthetically and conceptually, by both the technical quality and the imaginative content of the images thus laid upon their surface acres. And with this technical quality taken care of, for these are immaculate objects, we move into Gursky's as into another world, which most disconcertingly we begin to recognise as our own, though seen at his distance as through the telescope reversed.

Most terrifying of all, Gursky takes us into the maelstrom of stock exchange and dealing hall to witness the frenzy of the traders

For his subject is a kind of anthropological study, glossed with a gentle and ironical morality. First, with Gursky, we confront the vastness of the physical world, and the blank indifference of nature. But to do so is then to be faced by the insignificance of the human presence in relation to them. The implacable, silver Rhine flows past, horizontal between its green, bare and empty banks, with every wavelet on the water, every stone along the wall, almost every blade of grass registered in the clearest definition. The wide, snow-blanketed mountainside across the valley shows only a few bare rocks and tree-tops through the white. Below the towering mountain, the procession of tiny skiers, indeed like ants, snakes endlessly across the valley floor.

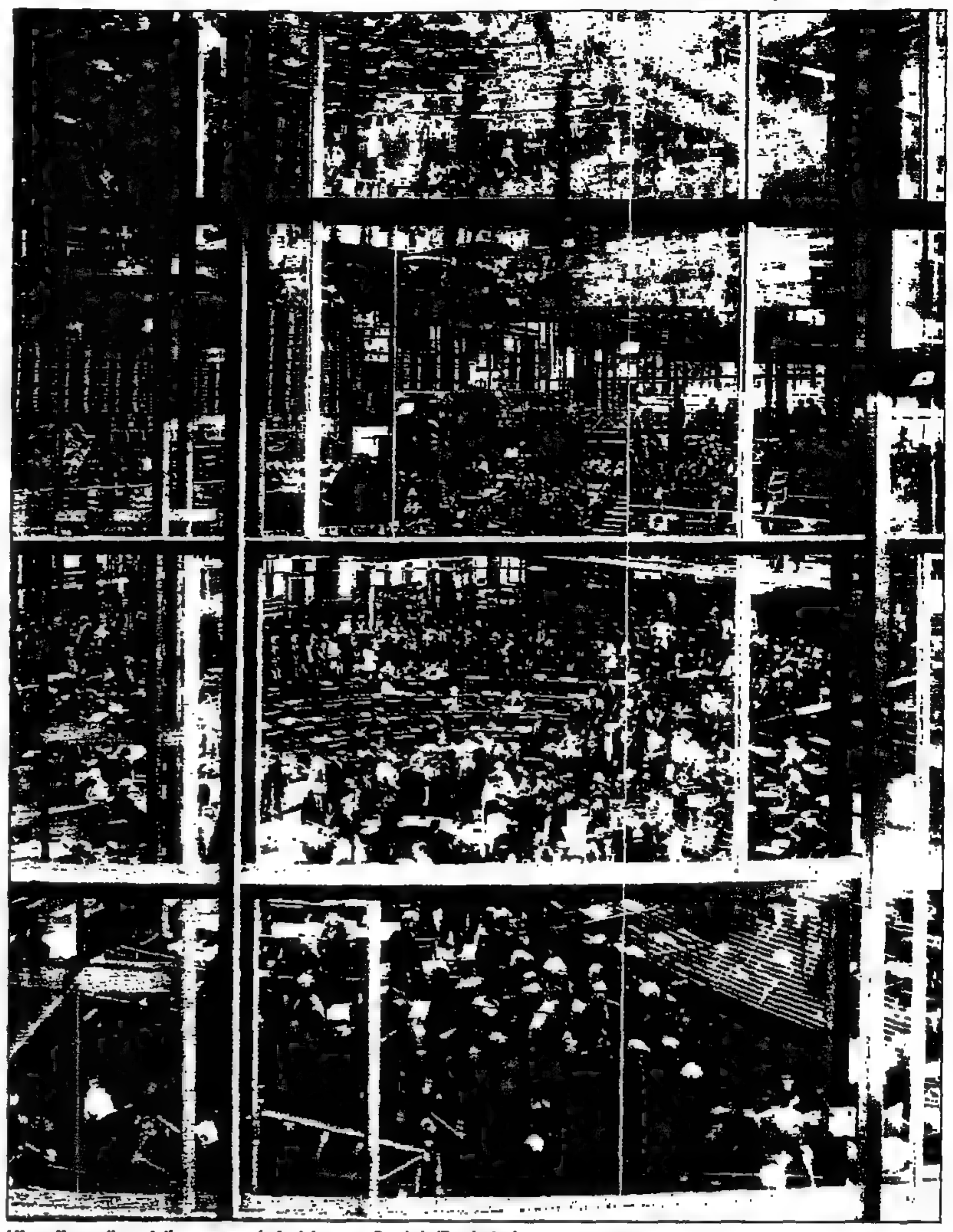
And then Gursky moves, as it were, within the nest, to cast his bleak eyelens across the human vanities of our world – commercial, corporate, industrial alike. He moves into the atrium that has become the architectural cliché of postmodern development, so blandly impressive, repetitively oppressive, with what few humans there are to be seen shut off in corridors or offices from the vertiginously empty central space.

Or he looks through the sheer façade of the new office block to the hive within, with each shirt-sleeved worker to his hermetic, bright-lit, cable-littered cell. He points the ambitions, and with them the cultural limitations of commercial enterprise, with some 200 training shoes, in all their bright-striped variety, laid out on shelves, row upon row in their glass case, as in the museum. He goes into the museum itself, to show us the work of art pinned and sterilised like a butterfly upon the wall.

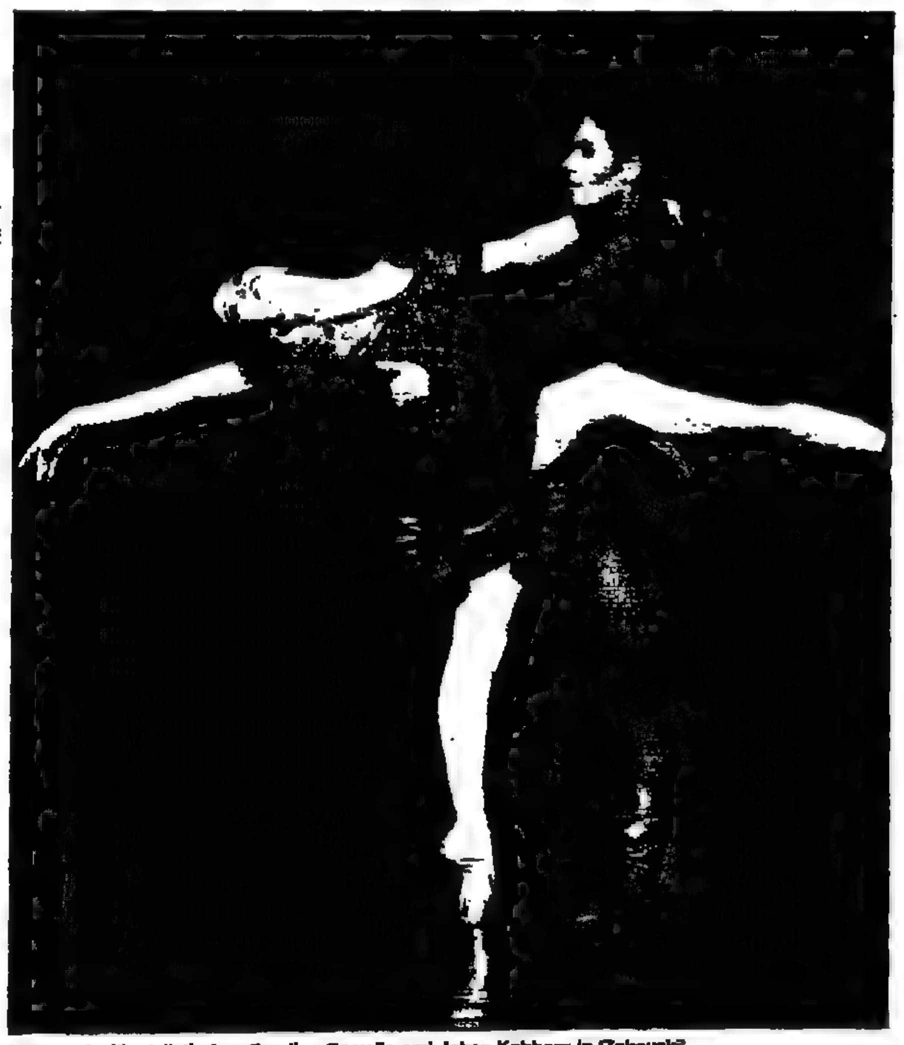
Then, most terrifying of all, he takes us into the maelstrom of stock exchange and dealing hall, to witness the feeding-frenzy of the traders, or the arbitrary, cosmic boredom of the dealers behind their screens, again row upon row of them in their numbered jerkins, before the day's fun begins. He looks down upon raves and party rallies, and sees the individual about its common pleasures and occasions, subsumed within the mass.

Above all, with Gursky and his photographs, the devil is always in the detail. Has it really come to this? he sometimes seems to ask, as he prompts us to look on the works of the modern mighty, and despair. Vanity of vanities, saith the preacher; all is vanity.

Andreas Gursky – photographs 1994-1998: The Serpentine Gallery, Kensington Gardens, London W2, until March 7; sponsored by Selfridges, in association with The Sunday Times and Time Out.



Life as if seen through the wrong end of a telescope: Gursky's 'Bundestag'



Peppered with stylistic fun: Caroline Carvallo and Johan Kobborg in 'Zakouski'

Russian hors d'oeuvres and Danish fudge

The Royal Danish Ballet could have dished up a tastier programme for its Paris visit, writes **Clement Crisp**

The Royal Danish Ballet began a 10-day visit to Paris last Thursday. Two programmes are on offer: the mixed bill which started the season and on which I report, and the adorable *Napoli* which enters the repertory this week.

The first night opened and closed with works in which Paris is the inspiration – August Bournonville's *Conservatoire*, which is his memoir of student days at the Opéra in the 1820s, and Maurice Béjart's dire *Gaieté Parisienne*, which is one of his stream-of-consciousness romps – also about his student days – in which clever-clever ideas take the place of dance invention and theatrical sense. In between, three duets, two of which should have been exposed on hill-sides at birth. I wish the Danes had brought their restoration of the full-length *Conservatoire*. Staged four years ago, it is a charmer of charmers, and shows the company's strengths. Béjart merely makes them look like Béjart dancers – than which few things are to be more studiously avoided.

Conservatoire seemed, as always, like a picture from a golden age. Discipline, tradition, the joy of dancing and the rewards of passing on tradition, are its messages. The men, led by the buoyant Johan Kobborg, were impressive, with Thomas Lund also an exemplar of stylish training. Children from the Royal Danish School held themselves beautifully, their feet already caressing the floor and gaining in sensitivity. This hymn to Bournonville's credo of dance as moral statement touches the heart.

The three duets which followed are recent acquisitions. *The Wish* is by the Australian Stanton Welch, who has imposed some fatuous emoting on one of Canteloube's *Chants d'Auvergne* – and of course it is *Bolero*, through which too many sopranos has warbled in recent years. An over-dressed woman (Gitte Lindstrom) is having a Bad Hair Day, and seems also to have lost her car keys (why else those grovellings and anguished collapses?). Arrives her lover (Kenneth Greve) who is less formally clad, since he has forgotten his shirt. Greve's pectorals are a good deal more interesting than his performance. Lindstrom gets even more agitato. The duet, compounded of musical insensitivity and agonised clichés, sits on Canteloube like a tomb-stone.

An overdressed woman is having a Bad Hair Day while her lover's pectorals are a good deal more interesting that his performance

Worse is to come. *1963: Yesterday* is John Neumeier's recollection of life when he first went to Copenhagen. This was also – ah, the marvels of free-association – the heyday of the Beatles. What, then, more cute than to mix their tunes with *La Sylphide*? (Almost anything, say I, except the return of the guillotine.) So Peter Bo Bendixen, in minimal day dress, lies supine while Silja Schandorff looms over him as a king-size Sylph. She soon, mercifully, abandons this unlikely disguise, and they indulge in mopery as the Beatles' songs go their innocent way. It is rather like Copenhagen's Little Mermaid cast in fudge.

After this Barmecide feast, a welcome for real food. Peter Martins' *Zakouski* is four Russian hors d'oeuvres – slivers of Rakhmaninov, Stravinsky, Prokofiev, Tchaikovsky, set for violin and piano – served up to us in fleet style by Caroline Carvallo and Johan Kobborg. The dances are light, savoury, peppered with stylistic fun, well prepared, and splendidly done: both dancers looked at their brightest, and Martins is a good cook.

One upon a time *Gaieté Parisienne* meant an enchanting ballet by Leonid Massine. Offenbach melodies, Massine as a scuttling Peruvian, Alexandra Danilova's wit and her equally witty legs, great good humour: these made it a gem. *Ah, les beaux jours*. Massine's ballet lasted for 35 minutes. Béjart's is twice as long, and each second has leaden wings. Like Bournonville in *Conservatoire*, Béjart looks back at his dance training in Paris, but the city is also a place of historical (read "hysterical") nightmare about ballet, the Second Empire, Offenbach, Ludwig of Bavaria, Mme de Ségur played in drag as a flagellant's moll, Terpsichore on a pedestal singing (indifferently) "Tu n'es pas beau" from *La Périchole*, and yet more Béjartian kitchen-sinkery.

And there are those denizens of the Béjart jungle, Dancing Boys. This means, of course, pouting haunches. The Hero of the piece, Bejart's alter ego, is called Bim. Very distinguished Danish dancers – Lis Jeppeson; Flemming Ryberg – mime for all they are worth, which is a good deal. The company rush about with a will. Johan Kobborg, hero of the evening, is superb as Offenbach (so good that he ought to be seen in Massine's role of the Peruvian in the real *Gaieté*). There is also one of the nastiest pas de deux I have ever seen on stage, which makes its incumbents look like acrobats having a terrible barney. The piece is a shocker. Like the cartoon-child toying with her lunch, I say it's spinach, and I say the hell with it!

INTERNATIONAL

Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Carmen: by Bizet. New staging by Andreas Homoki, conducted by Edo de Waart. The designs are by Wolfgang Gussmann and Gabriele Jaenecke, and the cast includes Carmen Oprisanu and Martin Thompson; Jan 28, 31

ANTWERP

OPERA
Flanders Opera
Lulu: by Berg. Conducted by Bernhard Kontarsky in a new staging by Ivo van Hove, with Constance Hauman in the title role: Jan 27

BARCELONA

CONCERTS
Palau de la Música Catalana
Tel: 34-93-268 1000
● Cleveland Orchestra: conducted by Christoph von Dohnányi in works by Beethoven and Stravinsky, with violin soloist Frank Peter Zimmerman; Jan 27
● San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Bernstein and Mahler; Jan 28

BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Die Zauberflöte: by Mozart. Conducted by Jiri Kout in a staging by Günter Krämer, with designs by Andreas Reinhardt; Jan 27
● Manon: by Massenet. Conducted by Sebastian Lang-Lessing in a staging by Cesare Lievi; Jan 28

CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
● Mefistofele: by Boito. György Györiványi Rath conducts a revival staged by Peter McClintock. Samuel Ramey sings the title role; Jan 30
● Roméo et Juliette: by Gounod. Conducted by John Nelson in a staging directed by Nicolas Joël. The cast stars Roberto Alagna and Angela Gheorgiu; Jan 26, 29; Feb 1

HOUSTON

THEATRE
Houston Grand Opera, Wortham Center
Tel: 1-713-227 2787
www.hgo.com
A Little Night Music: by Sondheim. Grant Gershon conducts a production by Michael Leeds, with a cast including Frederica von Stade, Thomas Allen and Sheri Greenawald; Jan 29, 30, 31

LONDON

CONCERT
Barbican Hall
Tel: 44-171-638 8891
Royal Philharmonic Orchestra: conducted by Daniele Gatti in works by Brahms and Mahler, with soprano Ruth Ziesak; Feb 1

DANCE
Sadler's Wells
Tel: 44-171-863 8000
Tanztheater Wuppertal Pina Bausch: Viktor. Long-awaited return to London by the Pina Bausch company, which is celebrating its 25th anniversary. With designs by Peter Pabst and a score including jazz, folk and classical music; Jan 27, 28, 30

EXHIBITIONS
National Gallery
Tel: 44-171-839 3321
Portraits by Ingres: Images of an Epoch. 40 paintings and 50 drawings by the 19th century French painter. Includes major loans from museums in France, the US and elsewhere; from Jan 27 to Apr 25, then touring to the US

Royal Academy of Arts
Tel: 44-171-300 8000
Monet in the 20th Century: arriving in London from Boston, this exhibition brings together late works by the founder of Impressionism. The 80 paintings on display include important public and private loans, culminating in a group of seven of the monumental water lily panels which were the triumph of his career; to Apr 18

LYON

OPERA
Opéra National de Lyon
Tel: 33-4-7200 4500
Zelmira: by Rossini. Conducted by Maurizio Benini in a staging by Yannis Kokkos, with a cast including Mariella Devia; Jan 27, 30; Feb 1

MADRID

CONCERT
Auditorio Nacional
Tel: 34-1-337 0100
Cleveland Orchestra: conducted by Christoph von Dohnányi in works by Schnittke, Bartók and Schubert; Jan 28

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Symphonieorchester des Bayerischen Rundfunks: conducted by Lorin Maazel in works by Mozart and Bruckner, with piano soloist Murray Perahia; Jan 27, 30

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatstheater.bayern.de
Lohengrin: by Wagner. Peter Schneider conducts a staging by Götz Friedrich. Cast includes Adrianne Pieczonka and Waltraud Meier; Jan 27, 30

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
● London Symphony Orchestra: conducted by Colin Davis in works by Beethoven and Elgar, with piano soloist Emanuel Ax; Jan 26
● New York Philharmonic: conducted by André Previn in works by R. Strauss; Jan 27, 28, 29, 30

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Werther: by Massenet. Donald Runnicles conducts a staging by Paul-Emile Deiber. Cast includes Thomas Hampson; Jan 27

PARIS

CONCERTS
Cité de la Musique
Cleveland Orchestra: conducted by Christoph von Dohnányi in the European premiere of Ives' and Porter's Emerson Concerto. The programme also includes works by Ives and Schubert. With piano soloist Alan Feinberg; Jan 31

Salle Pleyel
Tel: 33-1-4561 6589
● Cleveland Orchestra: conducted by Christoph von Dohnányi in works by Beethoven and Stravinsky, with violin soloist Frank Peter Zimmerman; Jan 30
● Luciano Pavarotti: recital by the tenor, accompanied by pianist Leone Magiera; Feb 1
● Orchestre de Paris: conducted by Neeme Järvi in Orff's Carmina Burana; Jan 27, 28

Théâtre des Champs Elysées
Tel: 33-1-4952 5050
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Canteloube and Mahler, with soprano Dawn Upshaw; Feb 1

PRAGUE

THEATRE
National Theatre of Prague
Tel: 420-2-2108 0131
www.anet.cz/nd
The Servant of Two Masters: by Carlo Goldoni. Directed by Ivan Rajmont; Jan 31

SAN FRANCISCO

CONCERT
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
Jean-Yves Thibaudet: recital by the pianist of works by Debussy, Rachmaninov and Liszt; Jan 30

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
NHK Symphony Orchestra: conducted by Stanislaw Skrowaczewski in works by Beethoven, Chopin and Lutoslawski, with piano soloist Bella Davidovich; Jan 28

TURIN

EXHIBITION
Biblioteca Reale
Tel: 39-011-545303
Leonardo drawings: 12 works from the library's collection, on display in their new air-conditioned and fireproof home. Includes preparatory sketches for 'The Virgin of the Rocks' and nude studies. Advance booking necessary; to Jan 31

TV AND RADIO

● WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● CNN International
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PETER MARTIN

Blow up the banks

Don Cruickshank is reviewing competition in the UK banking industry. Here is what he should say

Dear Chancellor,
You asked me to work with the banks "to assess what steps can be taken to more effectively serve the needs of businesses in the economy". Instead, I am proposing to blow the banks up.

I hope in the process to explode the belief, shared by politicians, bankers and business alike, that the banking relationship is a parental one.

Every official report into bank finance, every wounded small-business customer's shriek of despair, every bank manager's reproving letter is founded on this implicit assumption. The bank is the stern but fair parent, providing pocket money and encouragement, security and discipline.

This fallacy suggests to borrowers that finance is theirs by right, in the form of the ever-accommodating overdraft. It persuades banks that they have a moral authority over their customers. And it encourages government to treat banks like dysfunctional parents – objects of scrutiny and arm-twisting, but an unavoidable part of life.

In contrast, I offer three principles that will demolish the big banks' business-lending dominance. First, information is the key to effective finance. Second, competition in banking comes from narrow specialist transaction-based institutions, not broad-based "relationship" ones. Third, Britain's financing gap is not the lack of equity, but the absence of long-term fixed-rate borrowing.

Start with information. Knowledge of the customer is vital to lending decisions. Public companies now publish so much information that many banks compete on an equal footing to lend to them. Individuals can be assessed by credit-scoring computers, their habits so well-known that they are equally accessible to competing lenders.

But in the middle comes the last bastion of limited information, hence limited competition: small- and medium-sized private businesses, the serfs of the high-street banks.

It is pointless for governments to try to persuade the banks to treat these customers better. Instead, find ways of exploding the banks' information monopoly over small- and medium-sized businesses. That will allow rival lenders to use credit-scoring techniques to make small-business loans, just as for retail customers.

Some possible ways of providing information: encourage companies to opt to have abstracts of their tax returns made available to third-party credit databases. Draw up a standard chart of accounts that companies can use for their Companies House reporting, making credit-scoring easy. Create voluntary additional Companies House reports to make businesses that choose to file them better-known risks. And so on.

Who will take advantage of this new information glut? Remember my second thesis: competition in banking comes from narrow specialist transaction-based institutions. The credit card market has gone from oligoply to open price competition in a few years not because there are a few more more big banks, but because there are many new specialist lenders.

So try as hard as you can to create opportunities for similar new entrants in the small-business market. Break the ties that link the provision of money-transmission services (current accounts, cash handling, credit-card merchanting) to small business lending. Force the banks to unbundle the bits of their small-business products, and allow customers to choose between them. In a few years time, there will be a flood of specialist, phone-based lenders, exploding the small-business oligopoly of the high street banks.

You will still, like all your predecessors, worry about the alleged shortage of long-term finance for growing business. Ever since a committee identified this "gap" as a problem in 1931, it has been a British obsession.

The financial landscape is littered with past attempts to provide equity to solve this problem. They include 3i, the Aim listings on the Stock Exchange, and tax-wheezes like the Business Expansion Scheme. Even my own consultative document genuflects in the same direction.

"There is also concern", it said, that traditional loans are ill suited to needs of small business for credit. "Something more akin to equity funding (or, indeed, simple equity funding) is thought to be required."

Thought to be required. Thought wrong. What is missing in Britain's small-business finance is not equity but long-term debt at fixed, low rates. Bank of England independence has helped long-term rates to fall, but there is further still to go. And banks and customers both need to take long-term debt seriously as an attractive alternative to the overdraft.

So encourage them to distinguish between working capital (for which overdrafts are suitable) and long-term finance (for which they are not). Remind everyone that long-term fixed-rate lending is one of the rewards for macro- economic stability. And resist the City's knee-jerk assumption that a stockmarket listing is the answer to every growing businesses' needs.

Most of all, Chancellor, you can help Britain's small business people by urging them to treat their banking relationships in an adult fashion – and ensuring that the market is competitive enough to enforce an adult response from the banks, too. Explode the banks, and explode the parenting myth.

peter.martin@ft.com

LETTERS TO THE EDITOR

Determining balance between receipts and outlays

From Profs Wynne Godley and L. Randall Wray.

Sir, Your story "Clinton to use surplus in boost for social services" (January 20) invites readers to accept that the US government can "spend" today's surplus, as well as putative surpluses, during the next 15 years in the same way a child can spend its savings on a toy.

The balance between government receipts and outlays is properly determined by the requirements of macroeconomic management as these evolve. A surplus may be appropriate in the US today in order to mop up the uniquely large private financial deficit generated by a credit boom and an "irrationally exuberant" stock market. When the private deficit falls back the budget surplus will wilt; there will again be a deficit – and rightly so if recession is to be avoided.

The particular ways in which taxes are raised and outlays allocated are matters for political choice. Regarding social security, there are two real problems facing the US, and these can be simply stated. First, are retired persons, who will soon form a larger proportion of the population, to be relatively worse off than in the past? If not, there will be a real cost in terms of goods and services foregone by the rest of the community as and when the need arises, not before and not afterwards.

So the second question is, how this cost is to be met? Who, when the occasion arises, will pay, and how? Even if the Social Security Trust Fund holds a huge stock of Treasury debt in 2020, the Treasury will be required to tax or borrow at that point to finance social security spending – exactly as it would have done in the absence of a trust fund.

The resolution of these simple, if politically difficult, choices is being confused by arcane discussions about how the government keeps its accounts – how much one internal fund owes another and so on.

**Wynne Godley and
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NY 12504-5000, US**

Evangelists for 'Japanese Way' can eat their hats

From Mr J.J. Boulter.

Sir, For more than 15 years I have been the chairman and managing director of a small first-tier automotive component supplier to British, American-owned, European and Japanese vehicle manufacturers. In that time I have been bludgeoned by instructions from my customers and lectured *ad nauseam* by consultants, academics, gurus and the media about the intrinsic superiority of the Japanese manufacturing system, and how this system was based on tenets of business practice which, if only they were adopted in the west, would yield a holy grail of success for western components makers.

My company and I studied these instructions and this advice and have adopted key elements of Japanese manufacturing practice (with some success). Nevertheless, a proper, intensive study revealed that there were enormous differences between the protected environment in which Japanese industry operates compared with its western counterparts, and big differences between the fragmented competitive structure in the UK and the US compared with the almost wholly interconnected structure that prevailed in Japan.

It was impossible to convince the superficial evangelists for the "Japanese Way" that a reasoned critique could, simultaneously, admire much but also identify weaknesses and errors of interpretation.

So it is with some interest and irony that I noted the statement by Katsuhiko Kawasoe, Mitsubishi Motors president, advocating, as a first step to solving the crisis in Japanese automotive manufacturing, "that the job-for-life system emphasising corporate loyalty over achievement should be eliminated and that the employment system from now on in Japan will have to be very different" ("Japan car industry malaise grows", January 6).

Gurus, consultants, academics and car manufacturing evangelists, please explain if you can (or eat your hats) – and try to engage your brains in a critical manner next time before slavishly advocating the endorsement of a total system that you never properly researched or understood.

**J.J. Boulter,
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Shock at cost of being online

From Mr L.W. Bell.

Sir, It may be true that the average cost of connecting to an internet service provision in the UK is the highest in Europe, but the real cost of being online is not the ISP charge. The real expense is the cost being run up on one's telephone bill while connected. I wonder how many people buy their new computer, sign up to an ISP then, when they get their first phone bill, vow never to use the internet again, seeing it as a toy for the rich.

If the internet is to expand into the home at the rate some politicians and businesses wish, the cost of being online must be addressed.

**L.W. Bell,
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Timely warnings to sterling against the euro's siren song

From Mr Michael Nevin.

Sir, Jeffrey Sachs' characteristically incisive analysis of the Brazilian currency crisis ("Self-inflicted wounds", January 22) may carry a wider message about the dangers associated with the straitjacket of fixed exchange rate regimes. Could the recent experience of Mexico, Brazil and Russia – and of the UK's own disastrous entry into the exchange rate mechanism in 1990 – provide a salutary warning against the siren voices now calling sterling into the euro?

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A right mess

France's extreme right party is imploding, says Robert Graham. But the protest vote that it represents is not being picked up by any of the mainstream parties

The popularity of Jean-Marie Le Pen with his racist views and uninhibited assertions about the Holocaust as a "detail of history" has long singled out French politics from the European mainstream.

Nowhere else in Europe can an extreme rightwinger like Mr Le Pen claim 15 per cent of the vote. But the 70 year-old former paratrooper's grip on this share of the electorate has been seriously weakened by a split in his party, the National Front.

The break-up was formalised over the weekend at a special congress near Marseilles with Bruno Mégret, Mr Le Pen's one-time heir apparent turned bitter rival, forming a "renovated" party. "He's like an opera singer who has mistimed his exit," said Mr Le Pen dismissively as Mr Mégret prepared for the break-up.

The two faces of France's far right: Le Pen and Mégret

Mr Mégret confided after the rebel congress: "Two structures occupying the same ground with the same programme and language can only live side by side temporarily ... Quite soon one will overwhelm the other."

This may be wishful thinking. Although Mr Le Pen is running out of stamina to impose himself, he retains his attractions. Three polls in recent days show he commands two-thirds of the Front's vote. In contrast the 49-year-old Mr Mégret has never really shaken off the air of a clever but dull civil servant (which he once was).

Pooled together, the bombastic nationalism of Mr Le Pen alongside the organisational skills and cool intelligence of Mr Mégret was an effective combination. Now apart, both men are weakened: perhaps fatally.

Mr Mégret had the opportunity over the weekend to emulate the path of political respectability adopted by the neo-fascists in Italy who have transformed themselves into the National Alliance. But the first two points of his programme were pure old National Front – "restoring French national sovereignty by negotiating a new European treaty: and defence of the national identity with return home of the immigrants."

Such a stance makes Mr Mégret just as much a political leper as Mr Le Pen. As a result, their fight to the death over the National Front's soul offers a great opportunity for the moderate French right to recover some of the electoral ground it has surrendered over the past two decades.

Unfortunately, the mainstream rightwing parties are in poor shape to take advantage. Rarely have they been in greater disarray during the 40 years of the Fifth Republic. They are still traumatised by President Jacques Chirac misreading the political cards and calling an early election in 1997 which the right lost. Their unexpected defeat left them totally unprepared for opposition against a pragmatic Socialist-led government.

Being in opposition seems to have accentuated – rather than healed – their differences.

The old-style Gaullists with their nationalistic view of France have already broken ranks and Mr Charles Pasqua, the former interior minister, is running his own anti-Europe list. (A recent opinion poll gives him 11 per cent of the vote). The RPR, the Gaullist party founded by Mr Chirac as a vehicle for his presidential ambitions, remains the largest parliamentary grouping. But attempts to form an umbrella organisation with its main rival, the centrist UDF, have foundered.

This means the RPR will probably fight the European elections only allied to a small liberal faction (DL) that split away from the UDF last year. The UDF, headed by François Bayrou, wants to retain a separate identity and rejects the idea that Mr Chirac can impose his own candidate to head the right's European parliamentary election campaign. Mr Bayrou's critics also suspect he nurtures thoughts of doing a deal with the Socialists who are anxious to absorb more of the centre ground.

These squabbles are largely personality problems. But they are exacerbated by the French system of presidential rule under the Fifth Republic. The presidential system encourages parties to be instruments for winning the presidency and discourages a strong parliamentary party. In office presidents have tended to divide and rule to ensure no potential rival becomes too strong.

Under the 18 month-old "co-habitation" Mr Chirac is obliged to live with premier Lionel Jospin's leftwing government, and this places great strains on the opposition's unity. As the most prominent politician on the right, Mr Chirac is the effective head of the opposition. But his institutional position prevents him from acting properly in that capacity. So other rightwing presidential hopefuls are tempted to stake their claims.

The advent of the euro and the acceleration of European integration is also creating strains – forcing the mainstream politicians on the right to clarify their positions towards the EU. The RPR with its Gaullist heritage has been viscerally Eurosceptic, and Mr Chirac's embrace of the European integration has only been evident since he became head of state in 1995. The UDF in contrast reflects the pro-European ideals of its one-time chief backer, ex-president Valéry Giscard d'Estaing, and regards itself as the true party of Europe on the right.

More fundamentally, the French right lacks a common economic agenda and has not espoused the kind of economic liberalism that has characterised the right in Spain, the UK or even the Christian Democrats in Germany. "The right in France has never really behaved as the right should behave by introducing economic reform and modernising the state," says Claude Goasguen, a spokesman for the small Liberal Democrats (DL).

Attempts at such reforms by the previous rightwing government were moreover disastrous. The prime minister, Alain Juppé, behaved as if government was a matter of bureaucratic efficiency and ignored the need to sell his policies to public, which earned him near universal unpopularity. This experience has undermined the right's confidence in backing a radical programme that would differentiate it from the left. Meanwhile, the left in government under Mr Jospin is unafraid to adopt policies like privatisation which should have been the preserve of the right.

The longer the right delays agreeing on an economic agenda, the more the present Socialist government is likely to encroach on traditional rightwing territory. That also means the left will fail to attract votes from the disenchanted part of the electorate, which has therefore gravitated to the extreme right. Given what is happening to the National Front, that must leave room for some new movement to mop up France's protest vote.

COMMENT & ANALYSIS

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Capitalism vs national pride

The restructuring of the European defence industry was never going to be plain sailing. But the extent of the recriminations after the British Aerospace acquisition of Marconi from Britain's General Electric raises awkward questions about the differences between Britain and continental Europe. Are they so fundamental as to preclude a satisfactory European solution in this complex area?

One obvious rejoinder is that Europe simply cannot afford to let slip the budgetary savings from harmonising defence procurement on a pan-European basis. Politically, too, there is a great deal at stake. The European credentials of the Blair government stand to be undermined by a restructuring that follows the dictates of purely corporate concerns. Why, then, did a seemingly logical link between BAe and DaimlerChrysler Aerospace (Dasa) take second place to a British merger? And why did France's Thomson-CSF fail to strike a deal over Marconi?

Perhaps a BAe-Dasa deal could have been done. But the defence sector is not immune to the normal rules of business. Marconi was on offer to BAe at a crucial moment: Daimler-Chrysler was not offering a deal that was obviously attractive to BAe's shareholders. In such situations, opportunism and fleetness of foot is called for. This the Germans did not demonstrate.

French complaints, meantime, look out of place. Marconi was offered to Thomson-CSF – not a gesture foreign companies have hitherto enjoyed from the French defence establishment – and Thomson chose not to match BAe's price. Thomson also appeared to believe that the equity should be split on a 50:50 basis, although Marconi was worth more than that to the enlarged entity.

This underlines a fundamental point. Political imperatives in the European defence industry are often at odds with financial values. And in the Anglo-Saxon capitalist culture, equity shares have to reflect underlying economic worth. If they do not, minority shareholders can and do sue to protect their interests.

Moreover, the kind of political compromises that undermined the economics of so many public sector cross-border collaborative ventures are simply not tenable in a largely privatised defence industry. National pride can no longer be allowed to dictate key management appointments or the division of responsibilities if there is clear damage to profits.

Here, then, are genuine differences. In the British corporate culture, privatisation precludes political trade-offs. Shareholder interests cannot be trampled on. And the role of the state is more carefully circumscribed in this respect than in continental Europe. Friction in European defence restructuring may thus be inescapable.

Capping CAP

The battle lines have been drawn in Brussels over plans for reform of the European Union's common agricultural policy. The dual aim is to curb its costs, and cut the direct link between subsidies and farm prices. But there is a danger that in order to save money in the near term, the reforms of the CAP's inefficient and often unworkable rules will fall far short of what is needed, not least to make the EU system acceptable to its world trading partners.

For once there is broad agreement that something has to give. It is clear that such an extravagant construction as the CAP – which consumes almost half the annual €85bn EU budget – will not be affordable once new member states join from eastern Europe. And subsidies linked to production will have to go when it comes to the next round of farm trade talks in the World Trade Organisation, due to open before the end of the year. The question is: how to get there.

Britain, France and Germany, not normally known for their shared views on agriculture, for once agree that farm spending must be frozen, in real terms, for the next six years. But that is more a reflection of their determination to keep the whole budget under tight control than a means of forcing the farm ministers to accept tougher reforms.

The deal in Brussels is going to be a trade-off between price cuts – for beef, cereals and milk, the three sectors most affected – and direct income subsidies for farmers. Without the income compensation, there simply won't be a majority for the price cuts, of up to 30 per cent in the case of beef. So the European Commission's proposals will actually cost more in the short term, in order to get long term savings.

The danger is that the plans for a spending freeze may only be acceptable to a majority if the planned price cuts are less drastic, and therefore income subsidies can be lower. Such a "light" reform will be cheaper in the short-term, and less unpopular with a farming industry already in depression. The strong farm lobbies in France and Germany may be relieved. But it will not answer the pressing need to prepare the EU for the WTO talks.

The track record of EU farm ministers in looking beyond their narrow national and sectoral interests is abysmal. It is essential that the wider perspective – on the trade talks, and on overall spending – is kept by the foreign and finance ministers. But this is the best chance in years for radical reform, and it must not be wasted. If the price cuts now are too feeble, there will simply have to be a second round of reforms once the WTO talks are under way. EU farmers need clear decisions, not repeated half-baked reforms.

Nigeria's billions

Nigeria's military regime is doing more than meet the timetable for the return to civilian rule at the end of May. By coming to a policy agreement with the International Monetary Fund ahead of the handover, the soldiers are trying to leave behind a framework for economic recovery.

Gen Abdulsalami Abubakar, the head of state, deserves credit for a deal which should clear the way for resumption of normal relations with Nigeria's donors and creditors. But due scepticism is required. Without a tough and transparent system for monitoring oil earnings and government spending, the benefits of the debt relief Nigeria urgently seeks, and badly needs, will be wasted.

Nigeria's creditors have a legitimate interest in whether appropriate conditions have been attached to the agreement. Although it is only the first step, according to the finance minister it is intended to pave the way for a loan agreement and rescheduling of $29bn external debt.

Creditors will be better able to judge the merits of the IMF decision, expected to be ratified by its board early next month, when the terms of the agreement are disclosed. But they will want Nigeria to address some key concerns before fresh lending and debt relief is negotiated.

During the years when the late Gen Sani Abacha was military ruler, billions of dollars went missing. So far some $800m has been apparently been recovered, though the government seems reluctant to say how, from where, and from whom. Creditors should insist that the programme include continuing public efforts to recover the missing millions.

Most of this money came from oil, which accounts for 95 per cent of the $280bn export earnings which Nigeria's leaders and corrupt officials and politicians have squandered over the past 25 years. Unless the programme provides for rigorous and independent monitoring of NNPC, the state-owned oil company, and the accounts of the central bank, the abuses will continue. Moreover, NNPC should be allowed to operate as a commercial company, free from bureaucratic control.

The other potentially lucrative source of patronage is the privatisation programme to which the government says it is committed, despite its slow progress. The terms of the IMF agreement must ensure that an open and honest system is put into operation.

But the most critical test of the programme depends on the response of Nigerians themselves. When those who have assets abroad have sufficient confidence in the reforms, they will start to repatriate the billions of dollars they hold outside the country. Only then will foreign investors believe that Nigeria really has made a fresh start.

Trade goes bananas

Guy de Jonquières explains the big issues at stake over an apparently trivial dispute between the US and Europe

For all but the handful of officials involved, it defies belief that a dispute over the marketing of bananas has brought the US and the European Union to the brink of a trade war.

Not only is there something irresistibly comical about the fruit itself; but both sides' arcane procedural manoeuvring in the World Trade Organisation has made it hard to understand just what the battle is all about.

The explanation is that much more is at stake than bananas, the terms on which the EU imports them – or the economic costs if the US goes ahead with controversial plans next Monday to impose sanctions on $520m (£315.1m) of European exports, ranging from candelabra to cashmere sweaters.

Improbable as it may seem, the dispute has become a crucial test of the basic rules of international trade, and of continued US support for them. Its reverberations are placing huge strains on the four-year-old WTO and exacerbating frictions between the US and other important trade partners, notably Japan.

Equally important, failure to resolve the conflict could put at risk the broader relationship between the US and the EU, the world's biggest trading powers, and impair their ability to work together to prevent global economic recovery being undermined by an outbreak of protectionism.

Like most contentious trade issues, the bananas conflict has its origins in domestic, as much as international, politics. In this case, the efforts of Bill Clinton, the US president, to survive impeachment, electoral calculations and the power of its lobby system have all played a role in strengthening US determination to force the issue to a showdown.

Washington has been trying to overturn the EU's banana import regime ever since it was set up in 1993. Although the US exports no bananas, it claims the regime, which favours fruit from former British and French colonies in Africa, the Caribbean and the Pacific, discriminates against American distributors of cheaper Latin American fruit, such as Chiquita Brands (based in Cincinnati, Ohio).

The US twice won judgments against the regime in the old world trade tribunal, the General Agreement on Tariffs and Trade, but the EU was able to ignore them. Then, in late 1997, a WTO disputes panel also found against the arrangement. In the WTO, unlike the Gatt, enforcement of such judgments cannot legally be blocked.

But although the EU has since modified the banana regime, the US says the new one is no better than the old. After months of unsuccessful efforts to persuade Brussels to negotiate further changes, Washington's patience snapped in October. It warned that unless the EU complied with the WTO ruling by the start of this year, the US would retaliate with sanctions no later than March 3.

Two factors prompted the ultimatum, delivered by Erskine Bowles, then Mr Clinton's chief of staff. One was the imminence of the mid-term Congressional elections. The other was vigorous lobbying by Carl Lindner, head of Chiquita, whose lavish political contributions have earned high-level political influence in Washington.

Some observers expected to Mr Bowles' ultimatum to be shelved after the elections. Instead, Washington has continued to turn up the heat on Brussels. The reason appears to be that the bananas conflict has become enmeshed with the politics of impeachment. This appears to be the clearest example so far of the international cost of the president's distracting trial.

There are signs that Mr Clinton's preoccupation with his defence, and his need to win friends in Congress, has left the field open for hardliners to push the dispute with Brussels to the brink. Their aggressive stance is said to have dismayed moderates in Mr Clinton's administration, who have been striving, with some success, to improve economic co-operation with the EU.

In any event, the bananas case has now become a highly visible litmus test of American attitudes to trade policy. Even liberal, internationally minded Congress members say that unless the US prevails, already shaky popular and political support for the WTO will crumble further. They argue that it is essential to show voters that the EU and others are being held to their WTO obligations.

EU exports liable to US sanctions

- Pecorino cheese
- Biscuits, waffles and wafers
- Bubble bath
- Candles
- Plastic plates and sheets
- Handbags
- Fountain pens
- Felt paper
- Greeting cards
- Lithographs
- Cashmere sweaters
- Bed linen
- Batteries
- Coffee and tea makers
- Candelabra
- Pork

Denmark and the Netherlands, which did not vote for the banana regime, have been exempted from the list

Furthermore, the dispute looks like just a warm-up for a battle this spring over the EU's ban on hormone-treated beef, against which the WTO has also ruled. Senior US officials say their tough line on bananas is intended to show that, however hard Brussels may find it to comply with the hormones judgment, they will tolerate no delay.

This month, another element entered the picture. This was Mr Clinton's call, in his State of the Union address, for WTO ministers to launch a comprehensive trade liberalisation round when they meet in the US at the end of this year.

But US participation in a new trade round will require Congress to give the president's "fast track" authority to negotiate trade agreements. That looks a daunting task, after Mr Clinton's failure to secure fast track 16 months ago. At the least, he will be under heavy pressure from Capitol Hill to stand up robustly for US interests in trade disputes.

But US firmness faces stubborn resistance in the EU. The European Commission is reluctant to consider further changes to it, not least because that would involve reopening a difficult internal debate. The banana regime was agreed only after lengthy arguments and in the face of strong criticism from Germany and several others.

In addition, France and some EU governments oppose on principle what they consider US bullying. "Any solution to this dispute will be difficult, because hard-liners are dug in on both sides of the Atlantic," says one European official.

Brinkmanship, histrionics and bluster are important ingredients of big trade conflicts

But even some observers who doubt whether the EU has complied with the WTO bananas decision – and criticise it for foot-dragging – fault Washington's tactics. Although the US insists it is entitled to impose sanctions, critics blame it for rushing to retaliate before the WTO has pronounced on the EU's revised import regime. By doing so, they say, Washington is acting as judge and jury.

The legal rights and wrongs are unclear, because the bananas case has exposed serious ambiguities and inconsistencies in the WTO's rules for enforcing compliance with its disputes rulings. Politically, however, the case has stirred up strong feelings in a number of governments about alleged US trade unilateralism.

One is Japan, long a target of aggressive US trade onslaughts, most recently over steel. Last week Japan sided with the EU by leading 10 WTO members in a challenge to Washington's sanctions plans. Canada, although it did not support the Japanese move, is also unhappy about US threats to retaliate in a bananas-style dispute about its restrictive magazine laws, before Washington has obtained a definitive WTO ruling in its favour.

Late yesterday, the conflict took a surprise new turn, when Caribbean banana-producing nations thwarted a US request for WTO approval of its planned sanctions by blocking the agenda of the meeting that was due to consider it.

So far, these tensions have not spilled over into the rest of the WTO's work. But there is a danger that, if the bananas dispute dragged on much longer, they could lead to deeper divisions, which would polarise opinion among its 133 members and handicap their preparations for a new trade round.

Worse still, failure to resolve the issue could undermine the WTO's dispute settlement procedures, the bedrock of its authority to enforce global trade rules. That in turn could lead countries to revert to brute force to settle trade feuds, rather than submit to the impartial rule of law.

Any of these outcomes would be especially unsettling at a time when the global economy is struggling to regain stability, after the financial turmoil in Asia, Russia and Brazil. The consequence would be to make it harder to restrain protectionist pressures in the west, in the face of rising competition from exports cheapened by deep currency devaluations.

It has not come to that, yet. Brinkmanship, histrionics and bluster aimed at impressing domestic audiences are important ingredients of all big trade conflicts. Optimists point out that, despite such warlike noises, the world trade system has been remarkably successful in overcoming previous crises. Furthermore, solutions often emerge only when the clock is ticking.

Nonetheless, the protagonists in this dispute seem to be entrenched in exceptionally rigid positions, from which it will be difficult to retreat. Furthermore, Mr Clinton, who probably alone has the personal authority to call a truce, is distracted by other matters, which seriously constrain his room for diplomatic and political manoeuvre.

In the end, the best hope must be that the US and EU will conclude that they have too much invested in the multilateral trade system to risk destroying it over bananas, and will use their apparently infinite procedural wiles to agree on some face-saving compromise.

But even if they can succeed in shifting bananas to the back burner (as it were), many of the underlying political pressures which gave rise to this dispute are likely to remain. However it ends, the US, the EU and their WTO partners face some testing times ahead.

OBSERVER

Bolloré bags the cash

No wonder they used to call him the "Petit Prince du cashflow". French financier Vincent Bolloré has confirmed his reputation as stock picker *extraordinaire*. Yesterday, he pocketed capital gains of FFr800m ($141m) by selling his stake in television and cinema group Pathé, just a few months after making a killing on the sale of a chunk of construction company Bouygues.

But the 46-year-old Breton is no upstart in the business world. He set up shop nearly two decades ago in 1981 when he and his brother bought the family paper plant – which produced paper for cigarettes, Bibles and tea bags – from Edmond de Rothschild for a meagre FFr2 (and a whole load of debt of course).

Nouvel Economiste's manager of the year by the age of 35, he suffered a setback in the early 1990s when the acquisition of shipowner Delmas-Vieljeux helped push his group into loss. Those problems appear now to be consigned to the history books, thanks perhaps in part to Bolloré's talent at choosing advisers well: the venerable Antoine Bernheim of Lazard Frères is described by one confidant as his "principal and only real adviser".

After his two recent coups, Bolloré will have a real job on his hands to prove his worth as more than a mere opportunist. But it's just possible that the *Petit Prince* whose nickname used to be "the young man in a hurry" is growing up into a *Grand Roi*.

Fiscal funboys

So, what are they really like, those straight-faced, straight-laced trolls in the British Treasury who spend their lives in the bunker trying to make those numbers add up? Observer can shine a little ray of light on their alternative lives, having come across a web site run by Treasury man Owen Barder, who's currently on loan to the South African department of finance where he's advising on budget reform and medium-term fiscal policy.

Barder, a bit of a marathon runner, is being joined by a growing number of Treasury types ready to peel back the skin of anonymity that usually surrounds them. There's Simon Judge, for example, head of the Treasury's agriculture team who has pictures of the family houseboat and a holiday cottage in Wales.

Then there's John Dodds, head of Treasury information systems, who's a bit of a board game freak, and his team colleague Andy "Trog" Rogers, who's into drag – of the racing kind, that is. And last but not least, there's fiction writer Craig Pickering, who's put some of his purple prose on the small screen.

Sadly, there's no web page account yet from British chancellor Gordon Brown on daily life with his happy band of most excellent chums at the Treasury. Then again, perhaps the fiction content is already high enough.

Summit shift

German chancellor Gerhard Schröder reckons that Brussels isn't the right place for the special March European Union summit called to settle the problematical package of budgetary, farm and structural fund reforms.

So the final negotiations, on which so much German government prestige hangs, will now be held in Berlin. The official reason is to save money. EU foreign ministers and their colleagues from Asean countries are already scheduled to have a two-day ministerial bunfight in Berlin starting on Monday, March 29. So the Germans say it's commonsense to shift the March 24 and 25 EU leaders' summit to the German capital to make use of the facilities.

But there's an alternative explanation. Schröder, a careful student of Helmut Kohl's EU triumphs and setbacks, is fully aware that the former chancellor emerged badly damaged from last year's EU summit in Brussels. Lunch turned into a bad tempered wrangle over the presidency of the European Central Bank that lasted into the early hours of the morning.

A meeting in Berlin, however, will give Germany's media-conscious chancellor a chance to avoid the bad vibes of Brussels – and put a positive spin on his efforts to cut Germany's EU budget contribution while on home territory.

Not permitted

Hungarian politicians never lose an opportunity to boast about how the country is leading central Europe in the race to embrace free enterprise. That's apart from its passion for permits, of course.

Take pub musicians, for example. The Hungarian state is leaving nothing to chance. From this year, any budding Magyar Elvis without a recognised musical diploma must pass an exam – and get a permit – before strumming chords for cash in Budapest. And the same goes for any performing dancers and disc jockeys.

To get your record-playing licence, you even have to demonstrate that you're knowledgeable about five types of music. Mind you, Observer hears that if you can conjure up $130 and have a quiet word with one of the unsmiling officials who hand out such things, you can get a permit for almost anything.

The Financial Times

100 years ago

An American in Europe
Finding that the British public has not been fully aware of the stupendous and glorious justification for the present historical boom in the securities of the mighty Republic of the United States, I have come over to Europe to instruct you. And I have brought with me a large cargo of remarkably fine Railroad stocks which I wish you, for your own benefit, to purchase from me as quickly as possible. In Europe it is not yet recognised what a vast and complex engine our standing army of 100,000 men is. We have not created that great body of brave soldiers with the idea of letting them stand. We will see that we have plenty of wars to keep them busy – in the Philippines, in Cuba, in Porto Rico and Hawaii, over which benighted islands the star-spangled Banner now floats. We shall always be transporting these brave heroes from Key West to 'Frisco, from Boston to Circle City, from Brownsville to Bismark. These splendid troops will not only earn glory for themselves, but dividends for stockholders in the Railroads.

FINANCIAL TIMES

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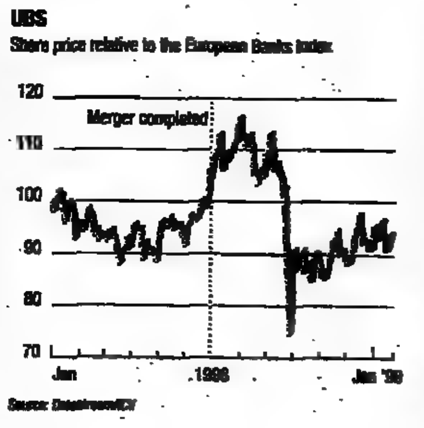
THE LEX COLUMN

Risks? Nein, danke

UBS has concluded that its shareholders no longer want the private banking money machine to be diluted by risky investment banking. Warburg Dillon Read, identified as a growth business at the time of last year's merger with SBC, is no longer to be expanded.

This was always on the cards after UBS lost SFr950m through Long-Term Capital Management last autumn. Although UBS says it is still committed to WDR, it plans to reduce capital invested in the subsidiary by cutting its exposure to risky proprietary trading. This will reduce UBS's net profits by 10 per cent in 2002, according to the group, but should be neutral in value terms given the reduction in capital employed by the division.

Nevertheless, the move is unambitious, particularly since acquisitions are also off the agenda. WDR may not be a Goldman Sachs but it does have one of the strongest European franchises. Once the merger gains have finally been wrung out, where is the growth to come from? Private banking acquisitions remain on the agenda but are likely to be too small to make a difference. In the absence of such deals, UBS is likely to continue piling on capital. Already one of the world's best capitalised banks, it has intimated that excess capital could be returned to shareholders – although no promises have been made. This uninspiring decision may help soothe shareholders' nerves after LTCM, but strategically it is a cop-out.



Source: Datastream/ICV

Japanese bonds

Is calm returning to the Japanese government bond market? The Ministry of Finance certainly seems to think so. Today's auction of 10-year JGBs is expected to carry a coupon of 1.9 per cent, down from the 2 per cent seen at the last auction. This reflects the Ministry's relief that bond yields have recently stabilised around 1.8 per cent, after more than doubling to 2 per cent in December.

In terms of economic fundamentals, a 1.9 per cent coupon appears almost attractive – compared with the other dismal options on offer. Japan's gross domestic product deflator is now running at almost minus 3 per cent. The equity market remains mired in gloom. Meanwhile, recent swings in the foreign exchange markets are likely to leave Japanese investors wary of rushing overseas again for a while.

But the real risk to the JGB market now is political. For as the fiscal pressures rise, traditional loyalties are unravelling inside Japan's opaque system of public finances. This makes it doubly hard to measure looming supply and demand. Some government institutions, for example, are threatening to copy the Trust Fund Bureau and reduce purchases of local and central government bonds. But the Bank of Japan is under pressure to buy bonds. Meanwhile, politicians are muttering about new stimulus packages and it is unclear who will pay for banking reform. JGB investors should steel themselves for negative shocks.

Pathé

Once again Vincent Bolloré, the French financier, has made a fine profit out of spotting a set of undervalued French assets, hidden in a family empire. At Pathé, a little gem of the media sector, he has done more than close the gap between the share price and net asset value. Its film business, a 20 per cent stake in France's leading satellite broadcaster and a 17 per cent stake in British Sky Broadcasting of the UK give it crucial strategic value. No wonder Mr Bolloré was able to jolt France's two big television companies, TF1 and Canal Plus, into action. The latter – with its big brother Vivendi – has just paid about twice Pathé's price of last October for Mr Bolloré's near 20 per cent stake.

But minority shareholders have been brushed aside in this deal: Canal Plus's €294 a share seems to have been available only to Mr Bolloré. An auction of Pathé, valued at €2.2bn, has always looked far-fetched because the Seydoux family has nearly 50 per cent of the voting rights. But the French stock market regulator should examine whether the agreement between Canal Plus and the Seydoux constitutes a concert party. If it does, €294 should be offered to all. This in turn might prompt the competition authorities to look at the dominant position Canal Plus/Pathé has in the French film industry. As for TF1, with a 9 per cent stake, it should at least insist on a seat on Pathé's board to keep tabs on its rival.

UK banks

Don Cruickshank's teeth may still be sharp after his uncompromising stint as UK telecommunications regulator. But if he sticks to his promise to concentrate on competition, UK banks should have little to fear.

It is not that competition in financial services is free and unfettered. Mr Cruickshank's first draft correctly picks out areas, such as payments systems, where the traditional clearing banks dominate. These segments are only marginally profitable, however. The review might open the door to the payments club a little wider, but no-one will be trampled in the rush to join.

In small business banking, today's profit levels are comfortable. If new entrants are not lining up, there must, on the face of it, be barriers to entry. But adjusting for risk over the whole economic cycle, it is harder to argue that returns from small business banking are excessive. Where excess returns are being made, even on a risk-adjusted basis, is in the staple retail financial products: mortgages, retail savings and credit cards. Unsurprisingly, these are precisely the segments where competition from new entrants is fiercest. Where should the bees cluster, if not around the honeypot?

Fortunately for bank shareholders, the traditional players continue to profit handsomely from their stock of old loans and deposits. The greatest threat to their business is their own inertia, not Mr Cruickshank's probings.

LATEST RISE A 'SERIOUS GLOBAL ISSUE' SAYS DEPUTY US TRADE REPRESENTATIVE

Japanese trade surplus climbs to record $122bn

By Paul Abrahams in Tokyo

Japan's politically contentious trade surplus unexpectedly surged in December, bringing the full-year figure to a record Y13,990bn ($122bn).

The surplus with the US, which has created tension between Tokyo and Washington, reached Y6,700bn for the full year, the highest since 1987.

The recent rise in the surplus – caused by a collapse in imports outpacing a fall in exports – will provide further ammunition for those calling on Japan to introduce supply-side reforms to boost domestic economic growth.

Richard Fisher, deputy US trade representative, said: "It's a serious issue, a very serious issue. It's a serious global issue and it's an extremely serious issue in our relationship with Japan."

The surplus in December rose 14.4 per cent year on year to Y1,415bn. Although it was higher than market expectations of Y1,230bn, the dollar remained steady at about Y114. The sudden strengthening of the Japanese currency late last year was one of the principal factors behind the increase in the surplus.

The main contribution to the rise in the December surplus was the fall in imports, down 21.7 per cent to Y3,468bn. Crude oil imports fell 45 per cent to Y236bn, partly because of the sharp appreciation of the yen. But imports of consumer goods also fell, with vehicle imports down 36 per cent at Y53bn.

Exports declined 12 per cent year on year to Y4,129bn. A decline in semiconductor prices resulted in a 13 per cent fall to Y300bn, while office equipment exports fell 10 per cent to Y301bn. The ministry of finance claimed that Japanese steel exports to the US – a particular source of strain between the two trading partners – fell 20.8 per cent last month. However, Mr Fisher said he wanted to see a breakdown of the data.

The surplus with Asia fell 36 per cent to Y454bn, with exports down 23 per cent to Y1,500bn and imports down 15 per cent to Y1,050bn. The surplus with the US rose 23 per cent to Y597bn, with exports down 6 per cent and imports down 24 per cent. With the EU, the surplus jumped 26 per cent to Y418bn: exports rose 3.8 per cent and imports fell 12 per cent.

Retail data released yesterday underlined the continuing weakness of consumer demand. Department store sales in December fell 5.5 per cent. For the full year they were down 5 per cent, according to the Japan Department Stores' Association. Supermarket sales for the full year fell 0.2 per cent, the first time they have declined since statistics began being collected 22 years ago.

King Hussein appoints eldest son to replace brother as heir

By Judy Dempsey in Jerusalem

King Hussein of Jordan has appointed his eldest son Abdullah as heir, replacing Prince Hassan, the king's brother, who was appointed crown prince 34 years ago.

The royal decree, now filtering out to the public after it was issued on Friday night, ends weeks of speculation over the succession.

The king's change of heart has raised concerns among Jordan's western allies about the stability of the desert kingdom, which is sandwiched between Saddam Hussein's Iraq and an Israel still unable to make the concessions needed for peace with the Palestinians.

Until recently, it was assumed the crown would automatically pass to Prince Hassan. Following a constitutional amendment in 1965, he was appointed crown prince. At the time, Abdullah was only three years old and there was some concern about the future of the Hashemite Kingdom after several assassination attempts on King Hussein.

Since then, Prince Hassan, 51, has been the King's loyal understudy. But according to some diplomats, he was not sufficiently flexible to deal with the problems facing Jordan.

Heir to the throne: Prince Abdullah

"It's about personality as much as the ability to sense which way the wind was blowing," said a western diplomat. "Though respected, Hassan could not communicate with ordinary people. He was more content dealing with abstract notions of democracy, whereas Hussein's number one priority has always been stability."

If the stability of the Hashemite Kingdom remains King Hussein's priority, it may explain why he chose as his successor Prince Abdullah who celebrates his thirty-seventh birthday on Saturday.

Prince Abdullah, son of Toni Gardiner, the king's British-born second wife, was educated at the UK's Sandhurst military academy, served in the British Army in Britain and the former West Germany, and studied international relations at Oxford University and Georgetown University, Washington.

His career has been confined to the military where he has headed the Special Forces commando units responsible for internal order. In 1996, he was involved in quashing bread riots in the south of the country. A year later, his name was chanted on the streets of Amman, the capital, after storming a hideout of gunmen.

Military credentials aside, diplomats said Prince Abdullah's political mettle had still to be tested as Jordan faced serious economic difficulties. It is saddled with high unemployment and poverty. A series of governments appointed by the Palace have failed to implement a coherent package of economic, political and social reforms.

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UK foreign secretary Robin Cook (left) and his Austrian counterpart, Wolfgang Schüssel, before yesterday's meeting of European Union foreign ministers in Brussels. Page 2. Picture: Reuters

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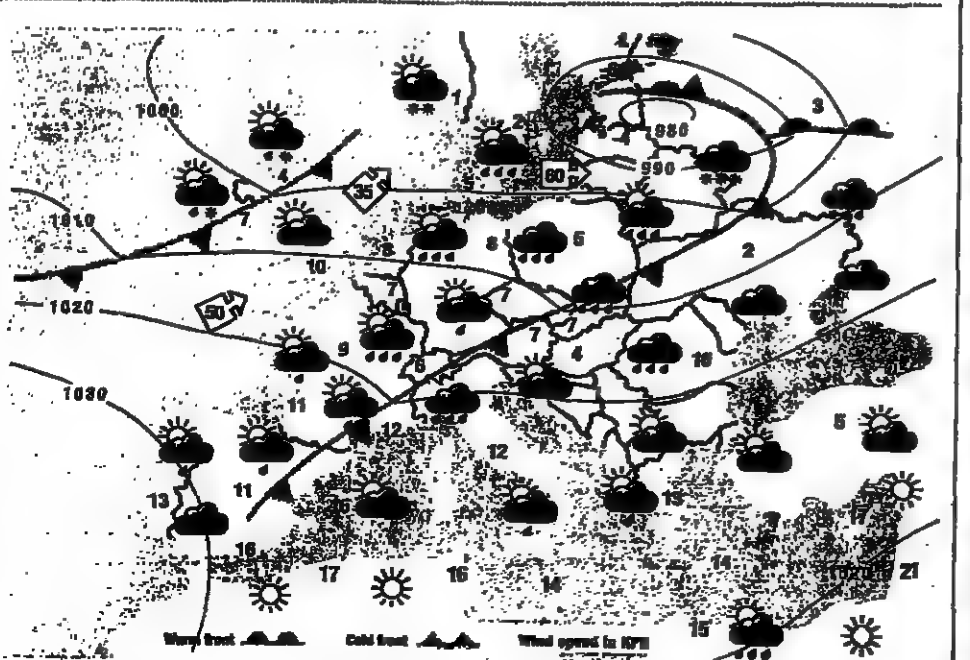
FT WEATHER GUIDE

Europe today

Scandinavia and Finland will have snow. Northern France, northern Germany and the Low Countries will have scattered showers with sunny spells. The showers will be more persistent and heavier from the Massif across Switzerland and Austria. In Spain, the south-east will have the best of the sunshine, but along the north coast and over northern Portugal there will be showers. Most of Italy will be dry and sunny, as will Greece, but showers are possible around the southern Aegean.

Five-day forecast

It will be unsettled with sunny spells but also bands of showers sweeping south-eastwards. Norway and southern Sweden should become drier and colder but Eastern Europe will have more snow, as will the Balkans, by the end of the week.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	21
Accra	Fair	32
Algiers	Sun	17
Amsterdam	Shower	8
Athens	Shower	[illegible]
Atlanta	Sun	17
B. Aires	Cloudy	28
B.ham	Rain	8
Bangkok	Fair	35
Barcelona	Fair	14
Beijing	Sun	5
Belfast	Rain	5
Belgrade	fog	2
Berlin	Fair	6
Bermuda	Fair	20
Bogota	Fair	19
Bombay	Sun	30
Brussels	Shower	7
Budapest	Fair	4
C.hagen	Shower	5
Cairo	Fair	19
Caracas	Fair	28
Cardiff	Rain	9
Casablanca	Sun	17
Chicago	Fair	4
Cologne	Cloudy	8
Dakar	Fair	25
Dallas	Fair	23
Delhi	Sun	24
Dubai	Sun	23
Dublin	Rain	7
Dubrovnik	Sun	14
Edinburgh	Rain	5
Faro	Sun	16
Frankfurt	Fair	7
Geneva	Rain	6
Gibraltar	Sun	17
Glasgow	Rain	4
Hamburg	Cloudy	6
Helsinki	Snow	-6
Hong Kong	Fair	25
Honolulu	Sun	26
Istanbul	Sun	9
Jakarta	Shower	31
Jersey	Shower	10
Johannesburg	Fair	28
Karachi	Sun	25
Kuwait	Sun	18
L. Angeles	Fair	12
Las Palmas	Fair	18
Lima	Fair	25
Lisbon	Fair	13
London	Rain	10
Lux.bourg	Shower	5
Lyon	Rain	8
Madeira	Fair	18
Madrid	Fair	11
Majorca	Fair	16
Malta	Fair	14
Manchester	Rain	7
Manila	Fair	29
Melbourne	Shower	23
Mexico City	Sun	19
Miami	Sun	27
Milan	Shower	6
Montreal	Fair	-2
Moscow	Snow	3
Munich	Rain	6
Nairobi	Sun	28
Naples	Sun	13
Nassau	Fair	27
New York	Sun	4
Nice	Fair	12
Nicosia	Fair	17
Oslo	Snow	1
Paris	Shower	9
Perth	Fair	30
Prague	Shower	7
Rangoon	Sun	35
Reykjavik	Fair	1
Rio	Sun	32
Rome	Fair	12
S. Frsco	Shower	9
Seoul	Fair	6
Singapore	Thunder	30
Stockholm	Shower	2
Strasbourg	Drzzl	7
Sydney	Fair	25
Tangier	Sun	16
Tel Aviv	Fair	21
Tokyo	Fair	[illegible]
Toronto	Fair	1
Vancouver	Sun	6
Venice	fog	4
Vienna	Drzzl	7
Warsaw	Drzzl	5
Washington	Sun	6
Wellington	Fair	21
Winnipeg	Snow	18
Zurich	Rain	4

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FINANCIAL TIMES
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INSIDE

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MARKET STATISTICS

Reed attacks credit card groups

Citigroup chief hits at Visa and MasterCard marketing

By John Authers in New York

John Reed, the co-chief executive of Citigroup, yesterday launched an attack on the way credit cards are marketed by Visa and MasterCard. He signalled he would attempt eventually to remove their brand names from the cards his bank issues.

He confirmed he was in negotiations to allow issuing banks to print the Visa logo only on the back of their cards. His intervention intensified the debate on the credit card industry's future, which began last year when the justice department launched an anti-trust lawsuit against MasterCard and Visa claiming they effectively operated a cartel.

Mr Reed said: "I would look to greatly strengthen the name Citi, which I think is probably the key. From a marketing point of view, it's amazing that for 20 years we've been willing to live with a communal association brand prominently displayed. I think that our own aspirations globally speak to our desire to deal with our customers through the name Citi."

His move had been predicted by industry observers, as the large banks created by the mergers of recent years are now big enough to build their own international brands. Citigroup is the largest single member of Visa and MasterCard, accounting for more than 10 per cent of the votes in both associations, and Mr Reed will be difficult to ignore.

There is also irritation among chief executives of big banks that their contributions to the bank card associations went towards marketing of the Visa and MasterCard brands. This in turn made it easier for specialist credit card issuers, such as MBNA, now the third largest issuer in the US, to build large market shares. This business might otherwise have gone to the large banks.

Some big banks believe the card associations should become "utilities" restricted to processing transactions, and avoiding marketing.

Mr Reed said: "The structure of the industry is such that we aren't the only organisation which would feel that way."

He suggested that Hugh McColl, chief executive of BankAmerica, and John McCoy, chief executive of Bank One, which both have large consumer franchises in the US following last year's mergers in the industry, "will not feel wildly different".

He added that Citigroup was also keen to develop a distinct brand for online banking and commerce, saying: "The advent of the internet speaks to the importance of having your own identity."

Visa did not comment on Mr Reed's remarks, citing its policy of leaving board meetings confidential.

Mr Reed admitted that Citigroup's interests differed from those of the US banking industry as a whole.

He stressed that he did not want to thwart small banks, which rely heavily on the Visa and MasterCard brands to guarantee acceptance of their brands.

"Small banks which want to deal through a collective brand should have the ability to do so," he said.

Earnings slip 26 per cent, Page 18

Fed-Mogul proposes £4bn UK takeover

By Andrew Edgecliffe-Johnson

Federal-Mogul, the US automotive components group, yesterday proposed a £3.9bn ($6.5bn) takeover of LucasVarity, after the UK group had rejected an earlier approach for talks. The deal, which is not yet a formal offer and is conditional on a recommendation from LucasVarity's board, would create a group with a market value of $11bn and annual sales of $13bn.

Federal-Mogul has also asked to proceed with due diligence on matters such as the balance sheet valuation of LucasVarity's £1.2bn pension fund surplus.

Last night, LucasVarity appeared to be about to retaliate with news of an alternative deal with TRW, the $6.9bn US components company, to fend off Federal-Mogul.

Federal-Mogul's mooted offer price of 280p compares to LucasVarity's share price last night of 244p, which closed up 29¾p. Mark Little, an analyst with BT. Alex Brown said any buyer would have to pay 300p-330p, but Federal-Mogul is believed to be reluctant to offer more than 280p.

Federal-Mogul's proposal would be half in cash, half in its own shares. Analysts said UK investors' reluctance to hold US paper could count against any such deal, but added that this could be overcome if they had a facility to sell the American shares simply.

The proposal is the latest attempt by Dick Snell, the aggressively acquisitive chairman and chief executive of Federal-Mogul, to buy a company larger than his own, and would be a significant step towards his "big hairy audacious goal" of $10bn annual group sales by 2002.

Mr Snell published a letter he sent to Ed Wallis and Victor Rice, chairman and chief executive of LucasVarity, saying he was "genuinely disappointed and surprised at your decision not to allow us to proceed with due diligence".

The 280p proposal was "a full price which would offer compelling value to your shareholders", he added. Yesterday afternoon, he told analysts that Federal-Mogul's interest had been sparked by LucasVarity's failure to secure shareholder support for its planned change of domicile to the US.

Deutsche in race to beat takeover 'deadline'

By Clay Harris, Banking Correspondent

Deutsche Bank is racing the clock to complete its $10.1bn takeover of Bankers Trust in time to avoid being caught in a US regulatory freeze related to the millennium bug.

If the takeover is not approved by June 30, Deutsche believes it may be asked by the Federal Reserve not to integrate information technology operations until next year to avoid any risk of year 2000 computer failure.

Revealing the unofficial June 30 deadline yesterday, Josef Ackermann, the German bank's management board member responsible for corporate and investment banking, said: "On a stand-alone basis, that wouldn't be a problem for us, but we wouldn't get the synergy potential."

He added: "We are still confident that we will get [approval] in April."

The mid-year deadline could increase the leverage of merger opponents, such as campaigners for compensation for the bank's activities during the second world war.

Mr Ackermann, who is Swiss, said Deutsche was working on the issue with the German government. He said: "This is something we take very seriously."

Along with two of his key lieutenants, Mr Ackermann outlined the progress of the Bankers Trust deal, acknowledging that external scepticism remained, considering Deutsche's patchy expansion record so far in the US.

Mr Ackermann said: "We're still not a bulge bracket firm [top five] in the US, but we have a platform on which we can build further. We want to be among the top five investment banks worldwide. In Europe we want to be among the top three."

Michael Philipp, head of global equities at the German bank, said: "Deutsche Bank plus Bankers Trust is not the end; it's not the last thing we ever do. There will still be gaps and openings; we can now use this platform to go out and hire."

Edson Mitchell, head of global markets, Deutsche's fixed income and foreign exchange arm, said: "We have the chance to pleasantly surprise the market with a successful integration."

Mr Ackermann said: "The most important thing is it's not just a cost-cutting exercise. We want to preserve the institutional franchises and revenue streams [of the two banks]."

Bankers Trust filled what Deutsche perceived as its two main gaps – high-yield financing and US investment banking – and strengthened its position in asset management and custody.

The bank aims to cut 5,500 jobs, although some of the information technology and back office staff involved might not leave for a year or more. Employees would know by the end of this week whether they had a future role.

Apart from Alex. Brown in retail stockbroking, the bank plans to use no trading names other than Deutsche Bank (Deutsche Securities in the US), having dismissed the idea of using a hybrid identity for a transitional period.

ANALYSTS DESCRIBE PROPOSAL AS 'OPPORTUNISTIC' AFTER RECENT SLUMP IN LIG'S STOCK PRICE

Condom maker's shares up 27% on news of a merger approach

By Virginia Marsh

Shares in London International Group, the world's largest producer of branded condoms, rose 27 per cent yesterday after it revealed it had received an unsolicited proposal for a possible merger.

The UK-based group, which owns the Durex brand and also produces rubber and surgical gloves, said the approach was a preliminary one and it had made a statement because of the recent increase in its share price.

The shares rose 35p to 163½p yesterday, valuing the group at about £570m ($940m).

Analysts said the approach was opportunistic given last month's slump in LIG's shares to their lowest since 1996. The shares lost 30 per cent in one day in early December, falling to 130½p, after the group warned on profits because of a drop in sales of lower margin medical examination gloves. They had traded at 228½p earlier in the year.

Analysts pointed to Ansell, part of Pacific Dunlop, the diversified Australian group, Safeskin of the US and Okamoto Industries, Japan's leading condom company, as among the possible bidders.

They ruled out Carter Wallace, the US market leader and owner of the Trojan brand, because of competition issues. Together, the US company and LIG have more than two-thirds of the US condom market. Carter Wallace controls about half the US market, while LIG has about a fifth.

Analysts said Safeskin, a San Diego-based maker of medical gloves, might be constrained by its weak share price, which would limit its ability to make a paper bid. Its shares are trading at about $23, down from $45 last year.

Ansell, the number two both in the US market and in the branded market worldwide, might also face regulatory problems in the US but most analysts believe it would win clearance for a merger with LIG because of Carter Wallace's strong position.

Pacific Dunlop has been restructuring and shedding non-core businesses and has identified Ansell, which also makes other rubber products, as a business it would like to expand globally.

Okamoto is also seen as a contender, partly as a defensive move to counter the expected decline in condom sales in Japan, the world's largest condom market. The contraceptive pill is banned in Japan – where the condom market is worth about £260m ($430m) a year – but there are moves to introduce it.

Analysts, who expect a bid price of at least 200p, said other contenders could be healthcare groups such as Smith & Nephew and Seton Scholl.

LIG, which is being advised by Lazards, is forecast to make pre-tax profits of £28m ($44.8m) before exceptionals this year.

Hands on: London International CEO Nick Hodges   Ashley Ashwood

UBS warns that cutback on risk will hit profits

By William Hall in Zurich

UBS, Europe's biggest bank, yesterday warned it would probably earn SFr1bn ($700m) less in 2002 than it had expected at the time of last year's merger with Swiss Bank Corporation because it was cutting back risk taking.

UBS's decision to scale back its medium-term profit target to SFr9bn-SFr10bn follows heavy losses last year on its investment in Long Term Capital Management, a hedge fund, and its pre-merger equity derivatives positions.

The losses highlighted serious shortcomings in UBS's risk management procedures and led to the resignation of Mathis Cabiallavetta, chairman, Felix Fischer, chief risk officer, and two other senior executives. UBS said then that it intended to "focus even more intensively on those areas of business likely to generate sustainable earnings with a justifiable level of risk".

UBS unveiled its new strategy at yesterday's investor conference in Zurich. Warburg Dillon Read, its investment bank, will feel the brunt of the change. Originally UBS had expected WDR to earn up to SFr3bn in 2002, but its target is now SFr1.9bn-SFr2.4bn. UBS plans to reduce WDR's capital of SFr13.6bn by close to a third, de-emphasise international lending, and strengthen client-driven equity, rates and corporate finance business.

There has been considerable speculation about WDR's future, following last year's losses. David Solo, UBS's new chief risk officer, has reviewed its fit inside the UBS group. UBS stressed that it retained a "strong commitment to global investment banking with a lowered risk profile".

However there was no mention of UBS's previous ambitions to become one of the world's top five international investment banks. Some SFr500m has been earmarked for investment banking related acquisitions, which contrasts with the SFr5bn-SFr7bn that UBS Private Banking, the jewel in the UBS empire, now expects to spend on strengthening its business.

UBS will focus its expansion "primarily on high-quality asset gathering businesses in Europe". It is already the world leader in offshore private banking and wants to expand aggressively its domestic private banking business in European core markets.

The bank also indicated that its focus on high-quality earnings and a lower risk profile would free up substantial amounts of equity and it may buy back its own shares. Its target tier-one ratio is 8.5-9 per cent and Mr Peter Wuffli, UBS's chief financial officer, indicated that every one per cent on the ratio was equal to SFr3bn of excess capital.

UBS is sticking to its return on equity target of 15 per cent to 20 per cent while shaving its 2002 earnings per share target from SFr50 to SFr45. In 1997 it earned SFr25.4 on a pro-forma basis. UBS shares closed SFr2 higher at SFr433.

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PHARMACEUTICALS PATENT EXPIRIES LEAD TO PROFIT FEARS ACROSS THE SECTOR

US drug companies catch a cold

By Tracy Corrigan in New York

After outperforming the market by about 20 per cent in the first nine months of 1998, US pharmaceutical stocks have lost their pep.

Merck, one of the darlings of the market last year, fell nearly 5 per cent in early trading yesterday, after announcing a set-back in trials of a promising new anti-depressant. Merck's stock, down $6⅞ at $136⅞, has slid from a high of $158⅞ in November.

Merck's fall from favour highlights concerns which span the sector. Merck's introduction of the new anti-depressant was important because it faces a series of patent expiries starting next year, which include Pepcid and Prilosec.

It was thought the experimental MK-869 would be one of the biggest products in 2000-01. Merck said yesterday the problem would delay the drug's introduction by year, but it could meet the patent expiry shortfall without it.

Other drugs companies, such as Eli Lilly with Prozac, face similar expiry problems, as breakthrough drugs from the early- and mid-1990s start to go off-patent.

That is one reason why the defensive quality of the sector suddenly seems less attractive. Drug stocks did well last year partly because they continued to produce steady earnings growth of 10-20 per cent while other sectors were hit by economic slowdown in Asia and expectations of slower US growth. But the market now believes that US corporate earnings growth will rebound in the second half of this year.

Meanwhile, old concerns about pricing pressure in the industry are re-emerging. So far, the much-feared pricing squeeze from the growth of managed-care companies – bulk-buyers of drugs – has not materialised.

But that is changing, says, Hemant Shah, pharmaceuticals analyst at HKS. "Managed-care companies will be more aggressive", he says, because many are in financial trouble themselves and need to reduce costs.

Furthermore, President Clinton's Medicare drug reimbursement plan – although considered a legislative "long shot" – would make the government the largest buyer of prescription drugs. Analysts say a fragmented market has allowed drugs companies to control pricing. Greater use of generic drugs – either because of cost controls among buyers or because of lost patents – threatens profitability.

That helps to explain why companies are not being rewarded for meeting analysts' estimates for the fourth quarter. Warner Lambert, for example, which yesterday reported net income of $341m, up from $236m a year ago, in line with estimates, saw its stock slip 2 per cent to $66⅝.

While Mr Shah expects companies to have no problem producing an average of 14 per cent earnings growth in the first quarter, there are growing concerns about a slowdown in the second half.

Quiet software giant leapfrogs its competitors

Contrariness has made Geac the world's third most profitable software company, says **Edward Alden**

Geac Computer, Canada's largest computer software group, was named the world's third most profitable software company last year by Computer Business Review. But you would never know it from looking at the company's head office.

Located near the freeway in a bleak Toronto suburb, Geac's worldwide corporate headquarters make an airport waiting lounge look lavish, with a few straggly plants struggling to liven the blank walls and prison grey carpets.

"There's a message in that," says William Nelson, the 64-year-old chairman and chief executive who has quietly carried out a contrary strategy that has brought Geac from just C$150m in revenues in 1994 to almost C$700m (US$461m) in 1998. Its 28 per cent profit margins was third last year behind only Microsoft and Parametric Technology.

Geac's spartan ethic has been part of a growth strategy that bears little resemblance to the one-off high-flying internet stocks, the enterprise resource package companies like Oracle, Peoplesoft and SAP, or other darlings of technology investors.

Instead, Geac has grown by acquiring small applications software companies that do not have tremendous growth prospects but bring steady service contracts that promise to generate revenue for years to come. Geac overhauls the management, cuts expenses, and turns the companies into highly profitable cogs in a growing software services empire.

In the past decade, Geac has acquired more than 50 companies, the largest being its US$191m purchase of Dun & Bradstreet's software division in 1996.

Geac has busily gobbled up assets that other technology companies are eager to sell as they follow the conventional wisdom of focusing on core businesses.

No one would accuse Geac of mimicking the conventional wisdom. It supplies and services software packages for no fewer than 11 distinct markets, including financial services and human resources applications, construction, real estate listings, hotel management, restaurants, libraries and golf courses. About half its sales are in the US market, 15 per cent in Europe, and even its Asian business grew last year.

Now, Mr Nelson says, the cash-rich, virtually debt-free company has its eye on bigger fish. With C$200m cash in hand and a long line of credit, Geac has looked at several large acquisitions, coming close to concluding a C$1bn deal late last year.

Mr Nelson says both the spartan ethic and the acquisition strategy were borne of the company's own slide into receivership more than a decade ago.

Bill Nelson: 'They had to learn to be very cost conscious'

"In order to survive they had to learn to be very cost-conscious and became quite expert at only spending money when they were sure to get value back from in the marketplace," he says.

The acquisition strategy, pioneered by former chief executive Stephen Sadler, sticks to rigid criteria that include buying only companies that have ongoing software maintenance contracts and will pay for themselves in four years or less. The purchases are usually paid in cash rather than new shares, which the company has not issued since 1993.

The key is to look for fire-sale prices on software applications companies that have shown themselves to be commercially viable by signing up customers and continuing to services their products. Such applications tend to stick around because the clients are too heavily invested to switch systems.

One example of Geac's contrary approach is its affinity for mainframe applications. While the prevailing wisdom in the industry is that mainframe software is slowly losing out to client server applications based on desktop networks, Geac earns "huge revenues" from mainframe service contracts, says Mr Nelson.

What the company has yet to show is that a strategy that works on a small scale can also work on a larger scale. Computer Associates, the US software group that has pursued an aggressive acquisition strategy similar to Geac's, floundered last year when it launched an unsuccessful US$9.8bn hostile takeover bid for Computer Sciences Corporation.

"It's a tough model because as you go forward to maintain the same level of growth you need to make acquisitions more frequently or make larger ones," says David Beck, an analyst with TD Securities in Toronto.

Investors have tended to value Geac at less than competitors that grow internally simply because the opportunity for future acquisitions is uncertain.

Mr Nelson also says his company needs to beef up its own managerial capabilities to be able to handle more and larger acquisitions, and is busy recruiting new talent.

The other danger of a large acquisition is that it might awaken its competitors to what Geac has been up to. Ralph Garcea, analyst with Scotia Capital Markets, says that so far Geac has stayed out of the headlights of the main competitors. That may not last for long.

Citigroup unhappy with 26% decline for term

By John Authers in New York

Citigroup, the giant financial services conglomerate formed by last year's merger of Citicorp with Travelers Group, yesterday announced a 26 per cent fall in earnings excluding merger charges for the fourth quarter – results its co-chief executives admitted were unsatisfactory.

Serious difficulties in investment banking continued to weigh on the strong profits from its global consumer business. Operating profits at the global corporate arm fell 21 per cent year on year to $464m in the fourth quarter, while the global consumer operation raised profits by 20 per cent to $901m.

Net income for the quarter before merger charges was $1.4bn. After a restructuring charge of $703m was taken into account, net income was $677m. The company predicted cost savings of $680m before tax for this year, and $975m next year.

John Reed and Sandy Weill, co-chief executives, said: "We are by no means satisfied with the company's performance thus far. We are committed to achieving significantly higher levels of profitability in 1999 and beyond through a combination of business growth, stringent expense control and continued reduction of risk exposure."

In corporate banking, the Salomon Smith Barney investment bank returned to profit, of $13m, after sustaining a serious loss on the Russian debt default in the third quarter. However, this was a sharp fall from the $218m it made in the fourth quarter of 1997.

Global relationship banking – from the former Citicorp – also experienced difficulties, with earnings of $30m down from $125m in the last quarter of 1997. This was a return to profit after a loss in the third quarter.

Mr Reed said there would be no more structural changes "of great consequence" at the global corporate business, which combines Salomon Smith Barney with Citibank's corporate banking operations, although he hoped to recruit more talent.

He said the "fundamental template" for corporate banking had been set in last year's dramatic reorganisation, which saw the departure of Jamie Dimon, formerly president of Citigroup, and the appointment of Victor Menezes, formerly of Citicorp, and Michael Carpenter, from the Travelers side, as co-chief executives.

Mr Reed said it would be necessary to create a single risk-management organisation for the combined corporate bank, headed by an officer reporting to Mr Carpenter and Mr Menezes. There would also be a chief operating officer for the division, although the people to fill these positions have not yet been named.

Citigroup's earnings were ahead of expectations, and by mid-session the shares had gained almost 3 per cent, up $1⅞ at $53.

Currency effects add to 3M woes

By Nikki Tait in Chicago

Fourth-quarter profits at Minnesota Mining & Manufacturing (3M) tumbled from $366m a year ago to $211m. The diversified US manufacturing group was hit by adverse currency movements, lacklustre sales growth and production cuts as inventories were brought into line.

The result, on flat revenues of $3.78bn, came after one-off charges for restructuring and debt refinancing. Before these items, 3M – often seen as a bellwether for the US manufacturing sector – made $348m in the final three months and $1.53bn for the year. The full-year result in 1997, before charges, was $1.63bn.

Fourth-quarter earnings per share, before charges, were 86 cents, against 89 cents previously. Although the company had warned last month of lower fourth-quarter earnings – the latest in a series of profit warnings over the past 18 months – the results were slightly ahead of analysts' revised forecasts and 3M shares were $5½ higher at 76⅝ in early New York trading.

The company said that currency effects alone cut earnings by about 5 cents a share in the final months of 1998, while reduced production levels helped reduce inventories by about 9 per cent between the third and fourth quarters.

3M also sounded a much more optimistic note about 1999, with Livio DeSimone, chairman, predicting that earnings growth would resume, "driven by new products, greater productivity gains and tight expense controls".

Cost cuts help AT&T meet Wall St hopes

By Richard Waters in New York

The cost-cutting drive at AT&T helped the largest US telecommunications company to meet Wall Street's expectations with a 45 per cent increase in operating earnings in the final months of last year, despite an anaemic 0.4 per cent growth in its core long-distance business.

The figures also reflected another rise in its overall growth rate, following efforts to reposition the company in newer, faster-growing parts of the telecoms business.

The news follows a sharp turnround in Wall Street's attitude to AT&T in recent weeks. The announcement last summer that it was planning to buy TCI, the country's second largest cable television operator, had left the stock market underwhelmed.

However, hopes the purchase, along with other acquisitions, would boost AT&T's internet business helped to lift shares by more than 50 per cent, to $96, between early December and the middle of January. The shares had fallen back to $86¾ yesterday afternoon.

"We have clearly identified what we need to do to increase our involvement on the consumer side [for internet services]," said Dan Sommers, chief financial officer. He added that AT&T was "very much in favour" of last week's purchase of Excite, an internet portal company, by At Home, a company AT&T will control after its purchase of TCI.

By combining its own internet access business with the operations of At Home and Excite, along with the broadband cable networks operated by TCI, AT&T could be in a stronger position to compete with America Online.

Yesterday, the company reported a 4.8 per cent increase in revenues in the fourth quarter of 1998, to $13.53bn – an acceleration from the 4.2 per cent growth of the preceding quarter. By cutting overhead costs by $1.6bn, in part by cutting 20,000 jobs during the year, the company was able to report operating income of $3.2bn. After one-off items, net income rose 58 per cent to $2bn, or $1.12 a share.

● Revenues at BellSouth rose 10 per cent to $6.17bn in the final quarter, as the Atlanta-based Baby Bell continued to post growth rates in excess of most of its competitors. The figures included a 21 per cent increase in wireless revenues, to $1.27bn, and a 20 per cent growth in revenues from new services such as Caller ID, to $423m.

Leaving aside one-off gains, earnings per share rose by 17 per cent to 42 cents, the company said.

NEWS DIGEST

CONSUMER PRODUCTS

P&G attributes 9% rise to good price and mix

Procter & Gamble, the US consumer products group, yesterday reported earnings for its second fiscal quarter of $1.14bn, up 9 per cent on the previous year, but said its expected sales growth to accelerate this year. Despite meeting analysts' estimates with earnings per share of 78 cents in the third quarter, up from 71 cents a year ago, P&G shares slid $1⅛ in a generally weaker market.

Worldwide quarterly sales of $9.9bn were up 3 per cent. The company said that unit volumes were flat, and the higher sales were caused by favourable pricing and mix effects. "We are very pleased with our continued margin improvement," said Durk Jager, chief executive, adding that a series of initiatives should bring an acceleration of sales growth. "We expect to remain within our long-term 11-14 per cent range for earnings growth this year."

Weaker currencies, primarily in Latin America and Asia, reduced sales by 1 per cent. **Tracy Corrigan, New York**

OIL AND GAS

Arco, Chevron down sharply

The weakest oil prices in 12 years continue to take their toll on oil companies, with both Atlantic Richfield and Chevron reporting sharply lower fourth-quarter earnings, agencies report.

Chevron, the third largest US oil company, saw net income drop 51 per cent to $431m, or 66 cents a share, from $875m, or $1.33, in the same period a year ago.

US oil and gas extraction operations were especially hard hit, with fourth-quarter earnings dropping 60 per cent to $106m. International exploration and production earnings were also lower, falling 21 per cent to $209m, as lower prices were offset in part by a 14 per cent rise in oil output in the fourth quarter and a 7 per cent rise for the year.

However, Chevron's US refining and marketing operations posted an unexpectedly strong performance, earning $162m, down from $174m. A 4 per cent rise in refined product and gasoline sales was offset by lower petroleum product prices. Arco, meanwhile, fell to a net loss of $794m, or $2.47 a share, compared with a profit of $382m, or $1.17, last time. The loss follows a net charge of $864m related to asset write-downs, restructuring costs and a tax refund. Operating income was $70m, or 22 cents a share.

Agencies, San Francisco and New York

CHEMICALS

Union Carbide warns

Union Carbide, the US chemicals group, yesterday warned that market weakness – especially in Asia – would continue to affect earnings through most of 1999 and perhaps longer, after reporting a 55 per cent fall in fourth-quarter earnings to $67m, before the effect of an accounting change.

The company's stock fell $⅞ in early trading. The company said earnings in the quarter were hurt by maintenance turnround costs at two plants in Louisiana and Texas and excess costs during the transition to new information technology. William Joyce, chairman and chief executive officer, said prices of certain basic chemicals were at trough levels and that several businesses had also experienced seasonal declines in the fourth quarter. Earnings fell to 49 cents a share, down from $1.04 a year ago on sales of $1.29bn, down from $1.54bn. **Tracy Corrigan**

MOBILE TELEPHONY

Iridium solves some problems

Iridium, the Motorola-led group which launched the world's first satellite-based handheld mobile phone service last year, said yesterday it had partially solved the production problems which have prevented it delivering handsets to dealers and customers.

Ed Staiano, chief executive, told an analysts' conference that Motorola was now delivering the phones which sell for about $3,000. The second supplier, Kyocera of Japan, remained a problem, Mr Staiano said. Motorola and Kyocera engineers were working to rectify the situation.

He said that some 600 industrial companies which made heavy use of mobile phones had been identified to try out the new service. He thought there were potentially some 600,000 customers.

The Iridium network has cost about $5bn to establish. Last year the company made a $1.25bn loss on revenues of $186,000. In the final quarter of last year, the period during which service was initiated, the loss was $440m. **Alan Cane**

CANADIAN PACIFIC

Shipping, hotels buoy results

The expansion of Canadian Pacific's shipping and hotel businesses significantly offset the effect of lower commodities prices and enabled the company yesterday to report better than expected fourth quarter earnings. Net income was down slightly from C$279m to C$263m (US$173m), or from 81 cents to 79 cents. Revenues of CP, often seen as a bellwether of the Canadian economy, fell almost 4 per cent to C$2.85bn.

Excluding special items, earnings rose 8 per cent to C$243m, or 73 cents. Analysts had expected earnings before special items of 61 cents.

Net income for 1998 fell 36 per cent to C$801m, or C$2.39. a share. Revenues for the year rose from C$9.56bn to C$10.15bn. CP shares were up 60 cents to C$31.50 in midday trading. **Scott Morrison, Toronto**

ARCHER DANIELS MIDLAND

Dwayne Andreas resigns

Archer Daniels Midland, one of the largest US agri-businesses, yesterday said that Dwayne Andreas (left), was to resign as chairman. Mr Andreas, in his 80s, has been one of the most influential but controversial figures in the US agricultural sector. Over the past three decades, he has built ADM from a small business to a politically connected powerhouse. Mr Andreas became chairman in 1966. Speculation has hung over the management succession for some months, partly because of Mr Andreas' age and partly because his son, Mick Andreas, once tipped to take over, was found guilty in a price-fixing scandal in the lysine and citric acid markets by a Chicago jury last summer. Yesterday, ADM said that it had appointed Allen Andreas, Dwayne Andreas' nephew, to the chairmanship. **Nikki Tait, Chicago**

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NEWS DIGEST

attributes 9% rise
good price and mix

Chevron down sharply

Carbide warns

solves some problems

hotels buoy results

Andrews resigns

Global expertise in telecommunications

When NTT tested network capacity, we connected the call.

It took just two and a half months to deliver Asia's largest privatisation of the 1990's – NTT4, the US$7.3bn sale of a fourth tranche of Nippon Telegraph & Telephone Corporation.

Market conditions at the time were particularly volatile. Additionally, even before NTT4 launched, investors had already absorbed a record amount of telecoms equity issuance in the fourth quarter of 1998, including the US$18.2bn IPO of NTT DoCoMo. Unsurprisingly, several market commentators doubted whether the capacity existed for another 'jumbo' telecoms issue – let alone another one from Japan.

The actual outcome was a successful issue, oversubscribed almost three times. As a clear demonstration of the real power of our global research, sales and distribution network, it was Warburg Dillon Read who sold the most shares to institutions around the world. Which just goes to show that, in the global telecoms market, one team has all the right connections.

Warburg Dillon Read

Issued by UBS AG acting through its Investment Banking Division, Warburg Dillon Read, regulated in the UK by the SFA, to persons who are not private customers in the UK. In the US, Warburg Dillon Read LLC, a subsidiary of UBS AG, is a registered broker-dealer and member of SIPC, the New York Stock Exchange and other leading exchanges.

Michelin eyes Japan link-up

By Alexandra Harney in Tokyo

Michelin is considering expanding in Japan by acquiring or linking with a local partner, believed to be Yokoyama Rubber, Japan's second largest tyre maker.

Peter Faber, president of Michelin Okamoto, the French tyre group's joint venture in Japan, said yesterday the company's bankers had been discussing the acquisition of a Japanese tyre maker, and he had been conducting "simulations and brainstorming" about a tie-up with other manufacturers. However, the discussions had not advanced to "concrete negotiations", he said.

Industry sources said Michelin had set its sights on Yokohama Rubber, which with Y415.4bn ($3.6bn) in sales in 1998 ranked second only to Bridgestone in the Japanese tyre market.

The move would greatly strengthen Michelin's position in Japanand put the industry on track for a fundamental realignment.

The French company has been investing heavily in Asia and other emerging countries in an attempt to lift its market share from levels it believes are inadequate.

In 1997, the group's Asian turnover represented 6.8 per cent of sales, totalling nearly FFr80bn ($14bn).

Conditions in the Japanese industry are ripe for realignment: profits have collapsed on the back of decreased consumer demand and slumping car sales, which has hurt Japanese producers heavily dependent on the domestic market.

Goodyear, the US tyre maker, and Sumitomo Rubber are already in negotiations about deeper ties. Under the current arrangement, Goodyear manufactures Sumitomo tyres in the US and Sumitomo builds and markets Goodyear tyres in Japan. There is also speculation that Bridgestone is thinking of acquiring a foreign tyre group.

Yokohama reported a 50.6 per cent decline in after-tax profits in the first half of 1998 to Y1.9bn. Sales of tyres, which represent 70 per cent of turnover, tumbled 6.9 per cent to Y86.2bn at the halfway stage.

Orascom to make $110m share offer

By Mark Huband in Cairo

Egypt's leading family-owned construction group is to offer 15 per cent of its shares in a $110m issue that analysts say will be the country's largest initial public offering to date from the private sector.

A global offering of shares in Orascom Construction Industries will be launched by the end of February, marking a significant step towards the full participation of family-controlled companies in the Egyptian capital market.

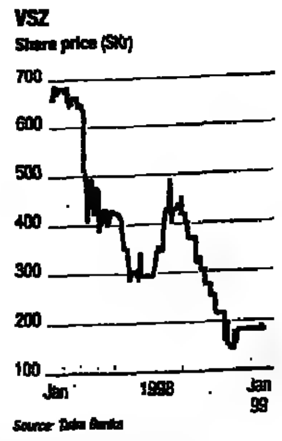
OCI is 100 per cent owned by members of the Sawiris family, which retains a controlling stake in the Orascom group founded in 1950. It is the holding company of 11 subsidiaries, ranging from natural gas supply companies to a majority stake in the Egyptian Cement Company, Egypt's first private-sector cement company established in 1995 in partnership with Switzerland's Holderbank.

OCI is valued at up to E£2.66bn ($764m) with an expected 1999 turnover of E£2.09bn.

The IPO is being lead managed by EFG-Hermes, the Egyptian brokerage and investment bank. It will lead a syndicate of seven investment banks, including both Egyptian and global market leaders, and the largest to have handled an Egyptian offer.

Slovak steel group seeks fresh mould

But the new chief of VSZ is entering a political minefield, writes **Kevin Done**




Gabriel Eichler

Gabriel Eichler is returning to his Slovak roots. With the backing of international banks, the 48-year-old former US banker has been drafted into VSZ, the beleaguered Slovak steelmaker, to try to bring some order to its chaotic finances.

But the move also means Mr Eichler has entered one of central Europe's biggest political minefields. The steel group's tentacles reach deep into the Slovak economy.

Slovakia's biggest industrial group, with a workforce of around 25,000, slipped into default late last year with $450m of bank debt, when it failed to repay a $35m syndicated loan arranged in 1995 by Merrill Lynch. The rest of VSZ's international borrowings have also become liable for repayment "on demand" by the banks, through cross default clauses

VSZ is the highest-quality steel producer in central and eastern Europe, producing around 3.5m tonnes a year, but it has been hit hard by falling steel prices, poor management, and a series of failed diversifications into unrelated activities ranging from banking and insurance to football and newspapers before the money ran out.

Mr Eichler says he has agreed to stay for six months to lead VSZ out of its immediate financial crisis. "My task is to stabilise the company and to reach a debt restructuring agreement with the banks.

"The priority is to manage the short-term cashflow and get the liquidity consolidated and under control," he adds.

He has already taken action to stop funds being siphoned out of the company by ending the use of suspect intermediary companies – some were registered offshore in the Caribbean – which were handling much of VSZ's sales and purchasing activities.

Mr Eichler spans the business cultures of east and west. He was born in Bratislava, the Slovak capital but in 1968 was pitched by chance into studying in the US – which he was visiting on a student exchange – when the Russian tanks rolled into Prague.

He became chief international economist at Bank of America, where he worked for 15 years, before returning to central Europe in 1994 as first vice-chairman, and for two years chief financial officer, of CEZ, the Czech electricity utility.

VSZ's previous management and main owners were at the centre of a corporate web woven by the regime of former prime minister Vladimir Meciar, the strongman of Slovak politics in the 1990s and architect of the country's split from the Czech Republic at the end of 1992. VSZ's ties with that web remain.

Alexander Rezes, reinstated last month as chairman of the VSZ supervisory board and a leading shareholder in the group, was Mr Meciar's election campaign manager and served as minister of transport and communications in an earlier Meciar government.

The four-party coalition of prime minister Mikulas Dzurinda has pledged to investigate and clean up the most blatant privatisation abuses of the previous government. But it must tread carefully – VSZ is too big to be allowed to fail. In recent years it alone has accounted for 14 per cent of Slovak exports, with a turnover equivalent to 8 per cent of gross domestic product.

The government, Mr Eichler and the banks are still struggling to understand VSZ's opaque shareholding structure. Interests around Mr Rezes have previously been able to command a majority at shareholder meetings via related companies linked either to VSZ's previous management or trade unions.

The ownership issue has been complicated by the struggle over a stake of around 25 per cent previously controlled by management. Part of this stake, a holding in VSZ of more than 10 per cent, has been taken over by Slovenska Sporitelna, the state-owned savings bank, under the terms of a repurchase guarantee for unpaid loans, opening the way for increased influence by the state. Ivan Miklos, deputy prime minister, said last week that the government now controlled 17 per cent through the savings bank and the state restitution fund.

The banks are pushing VSZ's new management to develop a strategy for returning the group to its core activity of making steel. "As a steel company, VSZ has no business being in insurance or banking or football," says a banker close to the debt restructuring talks.

A start has been made. The national daily newspaper Narodna Obroda has already been sold and a buyer is being sought for VSZ's 91 per cent holding in Sparta Prague, the dominant Czech football club.

By the end of the month the banks should receive a report from Ernst & Young, VSZ's auditors, on the group's results for the first 11 months of last year.

The banks hope that the auditors' report will provide the basis for a debt standstill agreement to be agreed in the next few weeks, with the target of reaching a formal debt restructuring deal in the early spring, barring more unpleasant surprises

Mr Eichler's appointment as president and chief executive has won the confidence of the estimated 40 banks, including ING of the Netherlands, Chase of the US and Bank Austria, most exposed to VSZ.

They hope he can open the way for the entry of a strategic foreign investor. Three foreign steel producers, understood to include US Steel and Voest-Alpine of Austria, have already expressed interest in pursuing talks with VSZ.

VSZ must still convince the banks, however, that its problem is one of liquidity and not insolvency.

ELECTRICITY CHILE'S PENSION GROUPS FEAR LOSS OF CONTROL OVER ENERSIS

Funds set to block Endesa

By Mark Mulligan in Santiago and David White in Madrid

Chile's powerful pension groups are expected to try and block moves by Endesa of Spain to take control of Enersis, Chile's largest electricity distributor, when the issue is put to an extraordinary shareholders meeting, likely to be held in March.

Electricity sector analysts said yesterday the $1.45bn public offer by the Spanish group, launched late on Friday, would founder unless Endesa garnered enough support among minority shareholders and institutions to change Enersis' constitution, which restricts any one group from controlling more than 32 per cent of the shares.

Enersis is considered a crucial part of Endesa's Latin America strategy, as the Chilean group has important distribution and generation interests throughout the region.

A change in the company statutes requires a 75 per cent majority. Endesa, which already holds the maximum equity allowed, is looking to double its stake by offering 320 pesos a share, a 36 per cent premium over Friday's closing price in Santiago.

The shares were suspended most of yesterday morning local time but by midday had soared by nearly 15 per cent to 270 pesos. The Spanish company, advised by Goldman Sachs, hopes to buy a 10 per cent stake through a tender offer for Enersis ADRs, traded in New York, where 19 per cent of the equity is represented, and 22 per cent on the Santiago Bolsa, where only about 17 per cent of the equity is free floating.

BankersTrust is to handle the operation as broker-dealer.

The shortfall would have to come from Chile's pension fund administrators, or AFPs, who control a total of 32 per cent of the equity.

Analysts said yesterday that the AFPs fear a takeover by Endesa would absorb all the liquidity in Enersis' shares and ultimately drive down the value of their own holding in the electricity generator.

Even if the statutes were changed, Endesa would have trouble meeting its target without buying some shares from the institutions. "It's the AFPs who have all the power," said one electricity analyst. "If they decide they don't want to sell at least some of their shares, it will be very difficult for Endesa to meet its objective."

Enersis shareholders are to meet next Thursday to vote on the group's sale of its 25 per cent stake in Endesa Chile, the country's largest electricity generator, in a deal valued at more than $1bn. Endesa Chile has no legal relationship with the Spanish group.

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This announcement appears as a matter of record only.

January 1999

US$20,000,000,000

ASCEND

Ascend Communications, Inc.

has agreed to merge with*

Lucent Technologies

Credit Suisse First Boston Corporation is acting as financial advisor to Ascend Communications, Inc.

*Pending

CREDIT SUISSE | FIRST BOSTON

This announcement appears as a matter of record only.

January 13, 1999

US$209,758,582

EarthLink™

EarthLink Network, Inc.

2,849,013 Shares
Common Stock

NASDAQ Symbol: "ELNK"

Price US$73.625 Per Share

CREDIT SUISSE | FIRST BOSTON

Credit Suisse First Boston
Invemed Associates, Inc.
ING Baring Furman Selz LLC
Cruttenden Roth Incorporated
EVEREN Securities, Inc.
Legg Mason Wood Walker Incorporated
The Robinson-Humphrey Company
Charles Schwab & Co., Inc.
C.E. Unterberg, Towbin
Wasserstein Perella Securities, Inc.
Wedbush Morgan Securities

This announcement appears as a matter of record only.

January 21, 1999

US$138,234,375

RF® MICRO-DEVICES

2,250,000 Shares
Common Stock

NASDAQ Symbol: "RFMD"

Price US$61.4375 Per Share

CREDIT SUISSE | FIRST BOSTON

Credit Suisse First Boston
CIBC Oppenheimer
Hambrecht & Quist
NationsBanc Montgomery Securities LLC
Dain Rauscher Wessels a division of Dain Rauscher Incorporated
Invemed Associates, Inc.
Needham & Company, Inc.
Piper Jaffray Inc.
Charles Schwab & Co., Inc.
Tucker Anthony Incorporated
Volpe Brown Whelan & Company

This announcement appears as a matter of record only.

NEW ISSUE

January 22, 1999

US$50,000,000

<allaire>

2,500,000 Shares
Common Stock

NASDAQ Symbol: "ALLR"

Price US$20 Per Share

Prior to the offering there had been no public market for these securities. Allaire Corporation develops, markets and supports application development and server software for a wide range of Web development, from building static Web pages to developing high volume, interactive Web applications.

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Credit Suisse First Boston
Dain Rauscher Wessels a division of Dain Rauscher Incorporated
NationsBanc Montgomery Securities LLC
Hambrecht & Quist
Invemed Associates, Inc.
Needham & Company, Inc.
Charles Schwab & Co., Inc.
Tucker Anthony Incorporated
C.E. Unterberg, Towbin
Wedbush Morgan Securities

PHARMACEUTICALS SWEDISH ASSOCIATION SAYS PROPOSED MERGER DOES NOT ADDRESS PATENT EXPIRY PROBLEMS

Shareholder group opposes AstraZeneca

By Tim Burt in Stockholm and David Pilling in London

The proposed $35bn merger of Astra and Zeneca, the Swedish and UK pharmaceutical groups, was yesterday opposed by Sweden's small shareholders' association, whose members hold 11 per cent of Astra's shares.

Aktiespararna, representing private shareholders in Astra, said the merger would not address the Swedish group's patent expiry problems.

If all its members voted against the AstraZeneca deal, the transaction could be treated as a takeover by Zeneca rather than a merger – resulting in large goodwill payments.

Although the association cannot force its members to vote against the deal, its move prompted a pledge from Investor – Astra's largest shareholder and the main investment vehicle for Sweden's Wallenberg business empire – to re-assure disgruntled shareholders about the benefits of the tie-up.

"We will have a dialogue with small shareholders and explain the benefits and revenue benefits of putting these companies together," said Percy Barnevik, chairman of Investor and chairman-designate of the enlarged AstraZeneca.

Aktiespararna has played an influential role in mergers involving Swedish companies. Its opposition to the proposed Volvo-Renault merger kick-started a shareholder revolt that scuppered that deal in 1993.

Sir David Barnes, chief executive of Zeneca, said he was surprised at Aktiespararna's recommendation. "I think it's partly political rather than objective economic analysis," he said, referring to some concern in Sweden that Astra was being sold to foreigners. "It is a merger of equals and I don't understand some of their comments about dilution of equity."

Yesterday, Robur, the Swedish institution holding 4 per cent of Astra, backed the merger.

Aktiespararna concerns centre on Astra's loss of revenues from Losec, its blockbuster anti-ulcer treatment, which faces patent expiry in the US from 2001. Astra argues that the impact of the expiry will be only gradual.

Yesterday, Astra said sales of prilosec – the US brand name for Losec – had increased 30 per cent to $850m in the fourth quarter of last year.

The company also said it had agreed to pay US rival Schering-Plough $800m to recover the marketing rights of two of its products.

Ericsson switches to 'pain now, gain later' strategy

Job losses inevitable as technology reduces installation man-hours, writes **Tim Burt**

When Ericsson installed a telephone switching system two years ago, the Swedish telecommunications group dispatched a crew of engineers and two truckloads of equipment to complete the contract.

Within 12 months, advances in technology enabled two engineers to do the same job with the equipment loaded into a Volvo. By the end of 1999, an engineer working alone will install switching systems no larger than a suitcase.

Sven-Christer Nilsson, Ericsson chief executive, yesterday spelt out the human cost of that technology leap by announcing 11,000 job losses – mostly in supply and installation of network systems.

"We have to do what is necessary to shape this company for the new telecom industry that is emerging," he said.

Mr Nilsson explained that Ericsson was engaged in a "pain now, gain later" strategy. To cut costs and improve margins, it had to tailor its manpower to demand.

Even so, the announcement caused dismay in Sweden, where three plants will endure 3,300 of the job losses – with the facility at Norrköping, south of Stockholm, closing.

Mr Nilsson felt sufficiently sensitive to the likely backlash in Sweden, where Ericsson is the largest exporter, that he broke the news in person to the Norrköping workforce, before fielding calls from institutional investors and industry analysts.

Unlike many of Ericsson's 104,000 employees, such investors and analysts have been expecting a hefty restructuring and job losses since the company issued a profits warning last month. At the time, the group said shrinking margins in mobile phones coupled with economic uncertainty meant fourth-quarter profits would be 15-20 per cent below market expectations.

The shock waves from volatile demand have adversely affected a number of businesses, but none more so than Ericsson's loss-making Infocom unit, which is exposed to traditional fixed-line telephone switching business.

Infocom, part of Ericsson's newly constructed Network Operators division, is likely to bear the brunt of the job losses as the need for installation personnel is reduced. While unpalatable for Swedish unions and local politicians, the move is overdue if Ericsson is to deliver profits in that business.

The full benefits of that strategy, however, will not be apparent until 2001 or later. There will be little sign of Mr Nilsson's action plan when the group unveils its 1998 full-year results on Thursday. Analysts are forecasting pre-tax profits of about SKr18bn ($2.3bn), compared with SKr17.2bn in 1997 – a disappointment given the near 70 per cent rise in profits in the previous year.

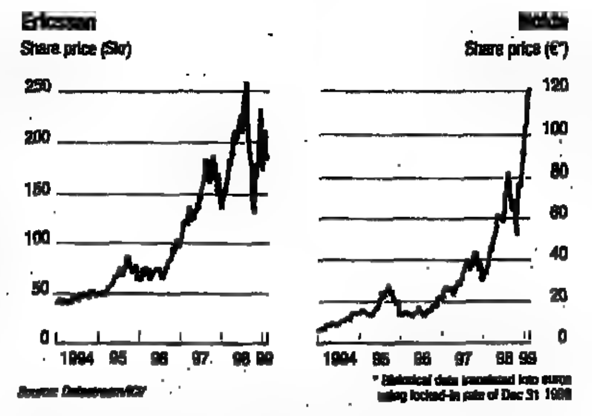
Some industry analysts, moreover, will make unkind comparisons with Nokia, Ericsson's Finnish rival, which is expected to unveil profits of €2.3bn-€2.5bn ($2.7bn-$2.9bn) on Friday.

But such comparisons are getting stale and do not fully reflect the market exposure of the two companies. Mobile handsets, for example, represent only 24 per cent of Ericsson's total sales, compared with about 60 per cent at Nokia. The Swedish group, moreover, is about to launch a family of products, while Nokia is at the end of a product cycle.

But Ericsson has been less than skilful at delivering that message. Since Mr Nilsson's appointment last January, the company has been criticised for an unclear management reorganisation; the shares have see-sawed from a high of SKr268 to a low of SKr118.50; and December's profits warning confounded analysts expecting a robust performance in 1998.

While some of that criticism may be justified, the verdict on Ericsson should await the completion of Mr Nilsson's transition programme. By that time, large parts of the lower margin switching systems business will have been outsourced and Ericsson should be enjoying strong demand for its new handsets.

The company should also enter the new millennium with a reduced headcount and lower cost base. If that coincides with a strong upturn in global demand, Mr Nilsson could emerge as a hero. If the surgery proves insufficient he may be cast as the corporate villain.



Source: Datastream/ICV

* Historical data translated into euros using locked-in rate of Dec 31 1998

Pathé tumbles as Canal Plus, Vivendi buy

By Samer Iskandar in Paris

Shares in Pathé, the French television and cinema group, fell 10 per cent to €288 yesterday after Canal Plus, the pay-TV company, and its largest shareholder, Vivendi, the utilities and communications conglomerate, announced they had become Pathé's second largest shareholder.

By acquiring the 19.6 per cent stake previously held by investor Vincent Bolloré, Vivendi and Canal Plus removed the threat of a battle for control of Pathé. However, the move raises legal questions for minority shareholders, and regulatory issues concerning competition in the French film industry.

"The Vivendi-Canal Plus-Pathé combination clearly has a dominant position in the French film industry, which should attract the attention of competition regulators," said Edouard Tetreau, media analyst at Crédit Lyonnais Securities in Paris.

Last month, the Conseil de la Concurrence, the competition regulator, fined Canal Plus FFr10m (€1.52m, $1.8m) for "abuse of its dominant position" in purchasing film rights. The regulator ruled that Canal Plus was hindering the development of pay-TV by refusing to sell film rights to competitors wanting to show the films on a pay-per-view basis.

Canal Plus-Vivendi and Jérôme Seydoux, Pathé chairman, also signed a five-year pre-emption agreement giving each party priority for purchasing the other's stake, should one of the three decide to divest.

Mr Seydoux is Pathé's largest shareholder, with 29 per cent of the capital and 41.5 per cent of voting rights. Vivendi/Canal Plus hold 24.6 per cent of the shares.

Mr Bolloré, who had said his stake in Pathe was a "purely financial" holding, has made an estimated FFr800m capital gain in just over a month.

The latest reshuffle puts TF1, France's biggest terrestrial TV company, in a difficult position. TF1 bought an 8.98 per cent stake in Pathé last week, in a move that fuelled speculation over a possible fight with Mr Bolloré for control of Pathé.

Some analysts believe stock market regulators could force Vivendi-Canal Plus and Mr Seydoux to launch a full bid for Pathé, if the pre-emption agreement is interpreted as pooling the interests of the three. The shareholders, accounting for almost 54 per cent of the capital, are then considered to be acting in concert.

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Observer, Page 15

Degussa hit by slowdown in growth

By Uta Harnischfeger in Frankfurt

Shares in Degussa slid almost 7 per cent yesterday after the German chemicals and metals group reported lower first-quarter sales and profits due to slowing growth in North America and Europe and the crises in Asia, Russia and Brazil.

In the quarter to December 31, sales of the group – which is about to merge with Hüls, the chemicals arm of utility group Veba – fell 13 per cent from DM3.98bn to DM3.46bn (€1.77bn, $2.05bn) and pre-tax profits dropped 9 per cent from DM145m to DM132m.

The figures confirmed that Europe's chemicals industry faces a downturn as emerging market crises start to hurt North American and European markets.

Last October, Hoechst, Bayer and BASF, the "big three German chemicals groups, all lowered their full-year forecasts, while the German chemical industry association said this month it expected production and sales in the sector to grow only 1 per cent at best this year.

Degussa said yesterday that the "general deterioration of the economic climate has become increasingly difficult ... and we will not be able to withstand it".

That is in stark contrast to the group's optimistic comments in December, when it said it was "well positioned to withstand the deterioration".

However, Degussa continues to pin its hopes on the merger with Hüls, which analysts say should yield synergies of DM300m a year. The two companies have streamlined operations and are expected to shed unprofitable businesses.

After the merger, which should take effect next month, Degussa-Hüls will be the second-largest European speciality chemicals group, behind Imperial Chemical Industries of the UK, and the fifth-largest chemical company in Europe.

Degussa shares fell €2.80 in Frankfurt to close at €38.70. Degussa also said yesterday that it faced a second class-action lawsuit in the US relating to its activities during the second world war. Four holocaust victims filed the first lawsuit in August.

"The charges against Degussa mainly concern precious metals belonging to Jews that were smelted at the behest of the state," said Ernst-Uwe Bufe, chief executive.

NEWS DIGEST

LUXURY GOODS

LVMH raises stake in Gucci Group to 34.4%

French luxury goods company LVMH said yesterday it had raised its stake in Italian fashion house Gucci Group to 34.4 per cent, or about 20m common shares.

The move comes a week after LVMH said it had disclosed it had accumulated a 26.7 per cent stake, after buying 9.5 per cent of Gucci from Prada, a rival Italian fashion house. It fuelled speculation that LVMH might be preparing a bid for the whole of Gucci, although LVMH has repeatedly denied it will mount a takeover.

LVMH Moet Hennessy Louis Vuitton previously held 26.7 per cent, or about 15m shares, it said in a filing with the US Securities and Exchange Commission. LVMH bought 919,800 shares from January 19-22 at prices ranging from $69.02 to $70.30 per share on the New York Stock Exchange. It also bought 47,000 shares on the Amsterdam Stock Exchange on January 22 for 60.11 euros per share. Gucci is traded in New York and Amsterdam.

LVMH, whose products include Dom Perignon champagne and Hennessy cognac, additionally bought a total of 3,553,150 shares in private transactions on January 22 from Capital Research and Management Co, Capital Guardian Trust Co, Capital International Inc and Capital International Ltd. Those shares were bought from the Capital sellers for $76 per share, the SEC document said. **Reuters, Washington**

AUSTRIA

Moody's downgrades bank

Raiffeisen Zentralbank Oesterreich, one of the most aggressive foreign banks in central and eastern Europe, has had its debt downgraded by Moody's, the US credit rating agency. RZB's senior debt rating has been cut from Aa3 to A1, its subordinated debt from A1 to A2, and its financial strength rating from C+ to C.

Austrian banks are more heavily exposed than almost all their European peers to central and eastern Europe and RZB's downgrade comes two months after Moody's cut the financial strength rating of Bank Austria, the country's biggest bank. Moody's cited RZB's "significant reliance" on banking revenues from the region. **William Hall, Zurich**

BANKING

Jyske lifts profits 20%

Jyske Bank, Denmark's fourth largest bank, yesterday announced a 20 per cent increase in pre-tax profit for 1998 to Dkr700m ($109m) from Dkr584m in 1997.

The release of the results, one month early, followed speculation in the local press that Jyske Bank's full-year result would be poor. The analysts had based their gloomy forecasts on the expectation that the bank would continue to lose heavily on its portfolio of securities and foreign exchange.

Under Danish accounting law, Danish banks include unrealised losses and gains on their own portfolios in their earnings reports and in the first nine months of 1998 Jyske booked a Dkr556 loss on this item. However, the figures released yesterday showed that it had successfully turned the tide during the fourth quarter and reduced the loss for the year by around Dkr240m.
Clare McCarthy, Copenhagen

MOBILE PHONES

TMN buoyed by subscribers

Almost 669,000 new subscribers helped TMN, one of Portugal's three mobile phone operators, lift net income by 80 per cent in 1998 to Es20.2bn (€100.9m), up from Es11.2bn in 1997, the unit of Portugal Telecom said yesterday.

Operating revenue rose 41 per cent to Es111.1bn. The company, which is not separately listed, said the number of subscribers grew 87 per cent from 762,000 at the end of 1997 to 1.43m in December.

Portugal is one of the fastest-growing mobile phone markets in Europe with an estimated 29 per cent of the population owning a cellular phone, a rate exceeded only in Scandinavia and Italy. TMN said average revenue per subscriber fell 29.8 per cent in 1998 to Es7,310 a month, partly due to an average tariff reduction of 26 per cent. However, the company said it had reduced the average cash cost per subscriber by 39.6 per cent to Es3,985 a month. **Peter Wise, Lisbon.**

FINANCE SUMITOMO BANK, DAIWA LINK UP

T Rowe Price to take part in Japan venture

By Gillian Tett in Tokyo

Daiwa Securities and Sumitomo Bank have joined the wave of mergers and alliances sweeping the banking and broking sector with a strategic alliance with T Rowe Price, the US financial company, to create an asset-management joint venture in Japan.

Robert Fleming, the UK financial group, yesterday also announced it would establish a joint venture in Japan with T Rowe Price, with whom it already collaborates in the US.

Robert Fleming said it had not formally committed itself to the alliance with Daiwa and Sumitomo. However, it is expected to collaborate closely with the Japanese partners.

The two deals highlight the continued attempts by foreign groups to strengthen their operations in Japan ahead of an expected surge in the country's asset-management sector.

The deal between Daiwa and Sumitomo will also test the ability of Japanese companies to create a successful investment-banking operation on their own terms.

Nikko, the country's third largest broker, has already been forced into an alliance with Travelers, the US group, that has left it ceding control of parts of its investment-banking business to its US partner.

Last year, Merrill Lynch, the US brokerage, formed a retail broking business out of the failed Yamaichi Securities.

Sumitomo and Daiwa yesterday stressed that their deal did not leave them a weak partner in the venture.

The alliance agreement envisages that the companies will create a joint venture that will be 44 per cent owned by Daiwa and Sumitomo and 10 per cent owned by T Rowe Price.

This joint venture, which will be capitalised at Y2bn ($17m), is expected to focus on investment trust services and have Y3,300bn of assets under management, making it one of Japan's largest fund managers.

The companies also hope to create another alliance soon to explore opportunities in Japan's defined-contribution pension market, in association with Robert Fleming. Although Japan does not have a defined-contribution system, the government is expected to introduce one in the next few years.

Foreign fund managers hope that the reform will trigger a surge in the pension-fund business. However, Mark White, director of Flemings, said Flemings was reluctant to commit itself to binding alliances, because it remained unclear how the legislation would be implemented.

Hong Kong red chips hit a grey patch

Concern over GDE has led investors to bail out of the stocks, writes **Louise Lucas**

Red chips have always inspired manic behaviour. In 1997, that meant jostling queues of would-be investors outside banks; over-subscription rates in excess of 1,000; and soaring price/earnings multiples that would have made an internet investor blush.

Recently, the red chips – mainland-backed companies listed in Hong Kong via subsidiaries – were again stirring up a frenzy. Individual stocks such as Guangnan Holdings halved in value in a day after the majority shareholder, Guangdong Enterprises (GDE), admitted to US$2.9bn of debts and reiterated pleas for a standstill on principal repayments.

Investors, further enlightened by candid admissions of "poor business decisions", "imprudent lending and inappropriate accounting", bailed out. The day after creditors learned the extent of problems at GDE the red-chip index plunged 12.5 per cent.

The roiling among the red chips shows that ripples from Guangdong International Trust & Investment Corp (Gitic), the investment agency that collapsed in October with $4.37bn worth of debts, are spreading further out.

Red chips initially took the failure of Gitic in their stride. Investors differentiated between red chip companies and the International Trust and Investment Companies (Itics) – although both are vehicles used by mainland provincial governments to raise overseas funding – and derived further comfort from the belief that if Beijing planned a mass restructuring of the 239 Itics, the red chips would assume a more significant role.

GDE changed that assumption, despite pledges by Guangdong provincial government that it would inject quality assets. ("Quality assets!" splutters one banker. "What can they inject? Whatever it will be will have renminbi earnings, and their problem is US dollar debt.")

Red chips are no longer seen as untouchables which will always be rescued. Analysts reckon a handful of smaller ones may be eliminated; privately, some say the number of insolvencies could be much higher.

The hefty debts at the GDE group suggest a similar pattern may emerge at other red chips. "I think the size of debt problems will be much larger than anyone would have expected," says Cusson Leung, China analyst at ING Barings.

It is a risk investors are not prepared to take – especially as other spectres hover over the sector. An end to tax privileges and a trend of separating listed entities from their mainland parents will conspire to make "the old form of red chip disappear or dramatically change", says Charles Cheung, covering the sector for Salomon Smith Barney.

Part of this has been forced by the collapse of Gitic, which prompted a mass reining-in of credit to China-related companies by foreign banks.

As a result, red chips – conceived largely to raise funds – will spend the year endeavouring to reduce debt. Their spending patterns will also change as they are demerged from provincial or state government arms.

Red chips' parentage was part of their success formula. Shortly after listing, they would return to the markets for cash to pay for asset injections. These were made by the parent, usually at prices favourable to the listed vehicle, and the concept alone bloated p/e multiples in 1997.

Asset injections abated around that time: "The concept has been dead for two years already," says Jeffrey Lin, vice-president at Merrill Lynch – but the demerger from parents further reduced the privileges they previously enjoyed, says Mr Cheung. "China wants the playing field to be more level within the same industry," he adds.

The third diminution of privileges affects the tax position of red chips. Their preferential treatment is ending, which will increase the tax rate payable and affect earnings.

Investors' enthusiasm, already quelled, is unlikely to be rekindled by the changes under way. Analysts reckon sound red chips – those with strong balance sheets – will still find buyers, and add that demand for China stocks is cyclical.

Among those singled out by analysts are China Telecom (Hong Kong) – "Lots of cash and cash flow and in a net cash position," says Merrill Lynch – and some of the provincial government window companies, such as Beijing Enterprises, Shanghai Industrial and Tianjin Development.

However, even the preferred pickings are likely to feel the chill winds of economic growth deceleration and tighter credit.

While this partly closes China's fund-raising windows, it does not starve the mainland of cash; instead, domestic bond issuance is likely to grow.

Dong Tao, regional economist at CSFB, says the trend to mobilise domestic savings will be accelerated by tighter credit from overseas.

When the money does come back, Mr Cheung concludes, the surviving red chips will be in better shape, making more focused investment decisions and shunning the more speculative punts that soured so dramatically last year.

Health check: the best of the red chips

	Gearing (%)*	1998 Cash (HK$m)	1999** Cash flow (HK$m)	1999 Debt repayment (HK$m)
Beijing Enterprises	4	2,429	511	544
China Merchants	2	948	841	522
China Resources	22	3,300	2,490	581
Ng Fung Hong	0	400	834	0
Shanghai Industrial	0	3,000	1,000	800

Source: Merrill Lynch

* Net debt-to-equity ratio
** Operating cashflow (estimated)

US group backs Shandong listing

By Louise Lucas in Hong Kong

China's Shandong International Power Development is to press ahead with its Hong Kong listing next month, despite the market volatility that prompted another mainland group to postpone its listing.

SIPD's issue, which is expected to raise US$257m-US$295m, has been delayed several times, and its ambitions have been cut substantially. However, this time it has the backing of Southern Company, the US electricity utility, which is to take a 40 per cent strategic stake.

Goldman Sachs, lead manager and book runner for the issue, said it remained "on schedule". At the weekend Heilongjiang Agriculture pulled its HK$1.7bn (US$219.4m) listing, pleading "material changes in market conditions". Two weeks earlier it had said the listing would go ahead.

China World Trade Centre, another would-be issuer of H-shares – Hong Kong-listed stock of mainland enterprises – has opted for a domestic issue rather than brave the volatile international capital markets.

China's A-share market, the preserve of domestic Chinese investors, has been more resilient, although even it may be tested by the company's proposed price-earnings ratio of a hefty 20 times. H shares are now being priced on multiples of seven to nine. China World Trade Centre is a Beijing property company.

SIPD's roadshow starts this week, and the issue will be priced on February 1. SIPD is unlikely to achieve the p/e multiple it once sought: listed mainland power companies are trading below their issue prices, and earnings have disappointed.

SIPD first planned to list almost five years ago, with a Rmb3bn ($362m) offering co-led by Goldman Sachs and Peregrine, the pan-Asian investment bank that collapsed last year.

Before its collapse, Peregrine was ousted in favour of Morgan Stanley, the US investment bank. Now the senior co-lead is China International Capital Corporation, Morgan Stanley's mainland investment banking joint venture.

McDonald's OTC plan

McDonald's Japan, the country's most successful fast-food chain, plans to register its shares for over-the-counter trading by 2002, writes Julie Hess in Tokyo.

The company said the proceeds would be used to fund expansion and that a share ownership plan would be offered to employees.

McDonalds's Japan is 50 per cent owned by McDonald's Corporation of the US and 50 per cent by Fujita. The size of the offering has yet to be decided.

In 1997, McDonald's had sales of Y333.7bn ($2.9bn) and operating profits of Y11bn. 1998 figures have not been released, but the company indicated double-digit growth was likely.

Indofood board reshuffled

By Sander Thoenes in Jakarta

Investors in Indofood Sukses Makmur yesterday shuffled the Indonesian noodle group's board by replacing members of the Salim family and other close associates of former president Suharto with their own executives, following their $570m purchase of 60 per cent of the company last month.

Nissin Food Products of Japan and First Pacific of Hong Kong replaced the board of commissioners and some directors at Indofood, Indonesia's largest conglomerate, but promoted Eva Riyanti Hutapea, chief executive officer, to president director and kept much of her team.

Ms Hutapea replaces Sudwikatmono, a cousin of Mr Suharto who was regularly given shares and commissions in big companies.

Sudono Salim, founder of the Salim group, and his son Anthony Salim stepped down as president commissioner and vice-president director, even though the Salim family owns almost 54 per cent of First Pacific.

The moves come after the government, bowing to public criticism of cronyism in the country's conglomerates, targeted Salim Group for its close links to the former president.

The Salim family has borne the brunt of government efforts to remove perks bestowed by Mr Suharto on his family and friends. The Salim family was one of only four forced to surrender shares to the government in repayment of central bank loans.

The government sold just less than half of its 10.18 per cent stake in Indofood this month, but has yet to reveal the new shareholders.

Indofood yesterday gave no hint of its reaction to draft anti-monopoly legislation that looks set to ban the vertical integration that boosted Indofood's profits and to limit any company's market share to 50 per cent. Indofood controls at least two-thirds of its market.

Mrs Hutapea declined to discuss such restrictions until the law was adopted. She confirmed Indofood was talking to several potential buyers for its Bogosari flour mills but said forced spin-offs of suppliers would boost production costs.

The shares yesterday fell Rp750, or nearly 18.5 per cent, in a bearish market.

COMPANIES & FINANCE: UK

TELECOMMUNICATIONS CASH INFUSION EXPECTED TO HELP UK GROUP DEPLOY BROADBAND SERVICES MORE RAPIDLY

Microsoft plans to invest $500m in NTL

By Louise Kehoe in San Francisco and Paul Taylor in London

Microsoft yesterday said it would invest $500m (£303m) in NTL, the third largest UK cable television network operator, to accelerate deployment of high speed voice, data and video services in Britain.

The investment in NTL and the announcement of a strategic partnership between the two companies, reflects Microsoft's desire to encourage the deployment of high capacity "broadband" communications services.

Such services, which include high-speed internet access as well as potential interactive television services, are expected to boost Microsoft's revenues from software used on home computers and new types of consumer devices that link to the internet, as well as the back-end "servers", or larger computers that control networks.

For NTL, which is earning a reputation as one of Britain's most innovative cable network operators, the strategic partnership and cash infusion should help it deploy broadband services more rapidly in its six main franchise areas.

NTL has built a national fiber-optic telecommunications network capable of carrying high speed voice, video and data services in addition to advanced internet, telephone and cable services.

The group currently has more than 1.4m UK-based telephone, cable and internet customers and has announced plans to deploy digital cable services this year.

NTL also recently announced a trial of cable modems – high capacity communications devices – in Surrey and Hampshire.

The two companies said they plan to work closely together to develop new digital services and will set up a joint technology group. In return for providing NTL with access to software and services, Microsoft will also receive 1.2m five-year warrants to purchase NTL shares at $84 each.

Microsoft's $500m investment in NTL follows a $1bn investment in Comcast, a US cable television service, in 1987, but is the group's first investment in the cable industry outside of the US.

Microsoft also declared a two-for-one stock split yesterday.

Microsoft's share price has jumped from $141 at the beginning of January to trade at $162 1/16 in mid session yesterday.

The stock split, which is subject to shareholder approval, marks the eighth time that Microsoft has divided its shares since the company went public in 1986.

Bidding war for Field looms ahead

By Virginia Marsh

The prospect of a bidding war for Field Group emerged yesterday after another US company expressed an interest in the UK packaging concern.

Shorewood Packaging said it was considering making an offer for Field, which last week recommended a £194m ($320m) cash bid from Chesapeake Corporation, also of the US.

Shares in Field rose 21½p to 337½p yesterday, well above the 320p level of Chesapeake's bid last week. Field's shares stood at 226½p two weeks ago, before it announced it was in bid talks.

Analysts said the UK group, which produces packaging mainly for the tobacco, alcoholic drinks, food and pharmaceutical industries, might now fetch 350p-400p, valuing it at up to £240m. It also has debts of about £30m.

"Chesapeake had looked to be getting Field fairly cheaply," an analyst said. "But it will be critical for Shorewood to keep Field's management on board."

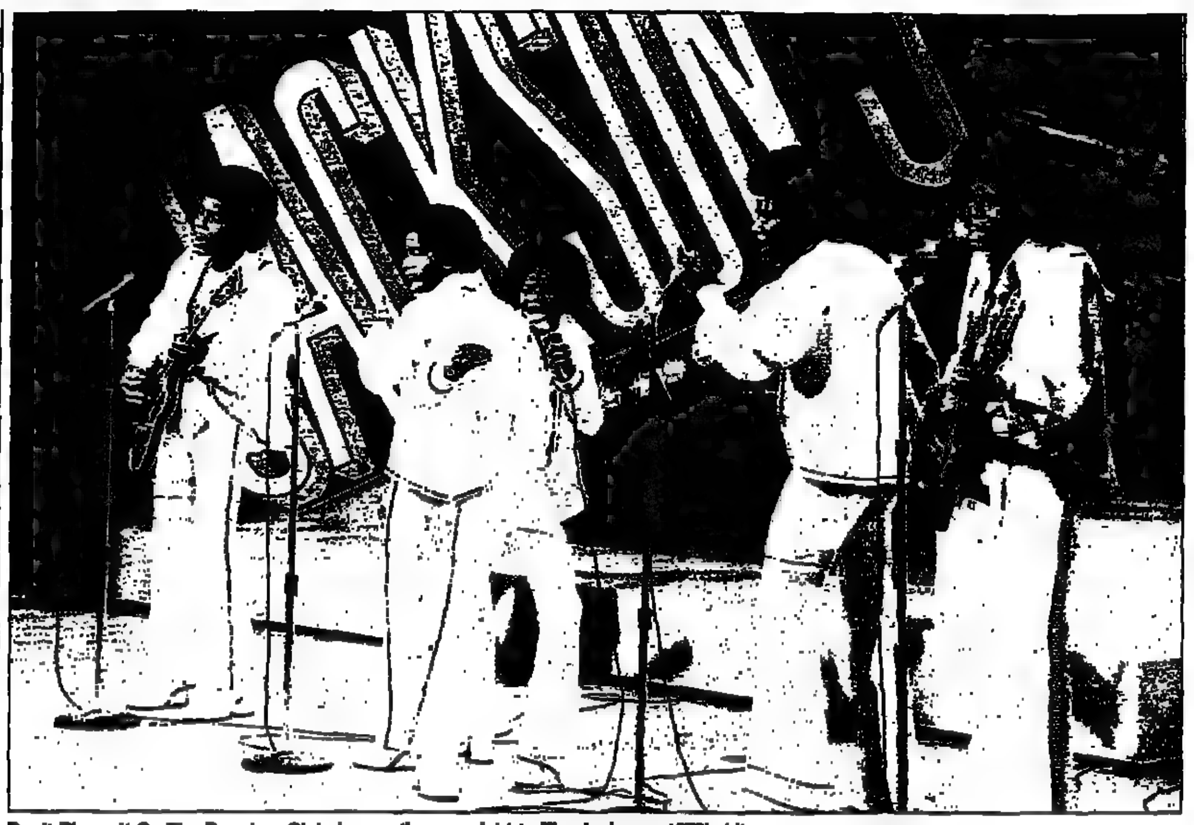
Other analysts said, however, that Chesapeake's bid had been pitched at the right level, given intense competition in the European market for folding cartons.

Field is considered to have one of the best management teams in the UK packaging industry, but the group's rating suffered last year partly because of its exposure to Asia and because of weakening consumer demand in the UK. The shares have slipped from a high two years ago of 429p.

Keith Gilchrist, chief executive, who had agreed with Chesapeake that he would stay on at Field, said the UK group did not consider Shorewood's intervention as hostile. He said the two groups had previously discussed co-operating in multimedia packaging, an area Field had been considering entering before Chesapeake's offer.

Shorewood, which is based in New York, made net income of $26.3m on sales of $415m in the year to April 1998 but has since bought another US packaging company with sales of about $150m. It produces packaging for the computer software, cosmetics, food, music, tobacco and general consumer markets and has 15 plants in North America.

Field is expected to make pre-tax profits of about £21m ($24.1m) this year.



Don't Blame It On The Boogie – Global owns the copyright to The Jacksons 1970's hit

Chrysalis buys music publisher

By Charles Pretzlik

Chrysalis Group, the media and entertainment group founded by Chris Wright, has bought Global Music Group, the German independent music publisher, for £4.2m ($6.9m).

The move is part of Chrysalis's strategy to create a worldwide independent publishing network and comes shortly after it opened offices in Paris, Norway and Denmark.

Global owns 15,000 local and international copyrights, including such classics as "Don't Blame It On The Boogie", which was originally a hit for The Jacksons and returned to the charts recently in a recording by Clock.

The company also represents artists like Elvis Presley and Paul Simon from other companies' catalogues in Germany, Austria and Switzerland.

It is being sold by Peter Kirsten, a former singer and songwriter who founded it more than 30 years ago. Global made a loss before tax in 1997 of Dm300,000 (£70,000) on turnover of Dm14.8m.

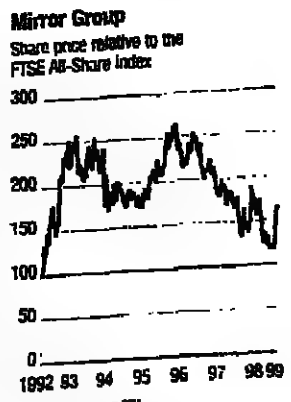
Its net publisher's share, or the gross profit retained by the company after paying the writers, was Dm2.8m.

Chrysalis said it will satisfy £2.7m of the consideration by issuing shares with the balance paid in cash.

It will also assume £1.2m of debt. Up to a further £200,000 will be payable if Global meets profit targets.

COMMENT

Mirror Group



Source: Datastream/ICV

Had Mirror Group been a normal company and David Montgomery a normal chief executive, the unsightly boardroom row would be over by now. Mr Montgomery, faced with the loss of confidence of his chairman and some of his largest shareholders, would have jumped rather than be booted out, as now seems likely. That he has clung on may suggest a flawed fighter who cannot accept when he has been bested. But, oddly, it may have done the cause of corporate governance a favour. For one thing, the row has boosted shareholder activism. Some institutions have raised their heads above the parapet and have kept them there. The knowledge that investors are no longer frightened of breaking ranks could act as a spur to underperforming managements. Furthermore, the row has even sparked off a debate over what Mr Montgomery did and why it was deemed unacceptable.

In an ideal world, that debate would have been conducted openly, rather than through selected briefings, for the charge-sheet against Mr Montgomery is complex. And although investors accounting for about a third of the votes feel strongly that Mr Montgomery must go, it is unclear what the other shareholders think.

Take the collapse of talks with Trinity. Some investors, almost all non-executives and Trinity itself apparently believe Mr Montgomery was the sticking point in merger discussions. What matters is his motivation. It would be reprehensible if he was acting to further his own interests. Proving that is another matter.

Meanwhile, some investors may feel relieved Mr Montgomery has been an awkward customer. Some prefer the prospect of getting upwards of 200p a share in cash from a rival suitor.

Meanwhile, Mr Montgomery's record is patchy. The share price underperformance reflects concern over the company's strategic mistakes, but Mr Montgomery deserves credit for dragging the Mirror Group out of the Maxwell mire.

Mr Montgomery's removal at today's board meeting now looks inevitable. Given that he has apparently lost the confidence of his chairman, all but one non-executive and several important shareholders, no tears should be shed. But the episode is so murky that it would be better if the extraordinary meeting investors are threatening to call was held, allowing a full and frank airing of views.

Mirror chief executive set to quit today

By John Gapper, Media Editor

David Montgomery: likely to receive £1.7m pay-off

David Montgomery, chief executive of Mirror Group, is today expected to step down after having lost a boardroom tussle with Sir Victor Blank, Mirror's non-executive chairman.

Mr Montgomery may resign rather than force Mirror's board to vote on a no confidence motion. He would be likely to lose such a vote, with non-executives voting in favour while his fellow executive directors abstained.

However, Mr Montgomery will press for a firm assurance that the regional newspaper group Trinity, which has indicated that it will make a formal offer for the company once he leaves, will be held to its word by the board. He is likely to cite demands from shareholders that Trinity should not be favoured. These include a letter from the holder of a 2 per cent stake calling for Mirror's board to display a united front and hold an open auction.

His resignation would end a week of open turmoil within the Mirror boardroom after three investment institutions that hold 31 per cent of its shares threatened to call an extraordinary general meeting if he did not go.

Sir Victor is thought to have persuaded executive directors including John Allwood, who is likely to be appointed to take Mr Montgomery's place, not to provoke a shareholders meeting by voting down a no confidence motion.

Mr Montgomery, who has been chief executive of the company since 1992 and rebuilt it after its pension fund was stripped under Robert Maxwell, attempted to resist until it was clear that Mirror's board would vote him out.

If he departs voluntarily, he would be likely to receive a pay-off of about £1.7m. He has a two-year contract that paid him £450,000 last year, and he also has share options that could be worth a further £800,000.

His departure could clear the way for increased offers from both Trinity, which earlier made an indicative bid worth about 160p per share, and from Regional Independent Media, which has seen an offer of 200p a share turned down.

Trinity is thought to be considering a merger offer valuing the shares at about 180p before benefits from merger savings. Mirror shares closed 9p up at 207p as hopes grew that both Trinity and RIM would submit higher offers.

Euromoney to spend $43m on internet company

By John Gapper, Media Editor

Euromoney Publications, the financial publisher, is to spend $43m (£25.9m) to acquire a US company that provides news and data on emerging financial markets via the internet, it is expected to disclose today.

Euromoney has won an auction to buy an 80 per cent stake in Internet Securities, a US company that publishes information on companies and industries in emerging markets over the internet and corporate intranets.

Donaldson, Lufkin & Jenrette, the investment bank, conducted the sale of a majority interest in Internet Securities, which was started in 1994 by Gary Mueller, its president and chief executive, and has annualised sales of $10m.

The deal will dilute Euromoney's earnings because Internet Securities is expected to lose about $8m over the coming year. Euromoney made pre-tax profits of £32.1m on revenues of £177m in the year to last September. Mr Mueller is expected to stay with the company, and keep most of the 15 per cent stake he owns jointly with a brother. Euromoney is spending $32.2m on an 80 per cent stake, and investing $11m more in preferred equity.

Internet Securities was one of the first internet ventures to provide financial information on emerging markets. It now employs about 200 staff and has offices in 18 countries in eastern Europe, Asia and Latin America.

People familiar with talks said interest in the company had been expressed by Thomson Financial Services, which is part of the Canadian publishing group Thomson Corporation and by the UK financial data company Reuters.

Internet Securities was founded to aggregate existing data – including news and reports in English and local languages – and to provide its own country and industry analysis for companies and financial institutions.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Filtronic	6 mths to Nov 30	82.7	(41.8)	5.76♠	(5.07)	7.5†	(8.03)	0.9	-	0.65	-	2
Haynes Publishing	6 mths to Nov 30	13.2	(13.8)	2.38	(2.53♥)	9.3	(9.8)	5.8	Apr 30	5.8	-	11.8
Lonrho	Yr to Sept 30 ★	1,004	(1,850)	84♠	(196♥)	1.9ӂ	(72.2)	10	Apr 6	12	17.2	21
Monsoon	6 mths to Nov 28 ☆	66.1	(61.3)	11.8	(15)	4.4	(5.65)	1.5	Apr 23	-	-	-
Wintrust	6 mths to Sept 30	-	(-)	2.13	(1.9)	14.59	(13.28)	5.35	Mar 31	4.84	-	15.14

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Scotland	6 mths to Nov 30	64.46	(64.47)	0.672	(0.757)	1	(1.13)	-	-	-	-	1.3
US Smaller	6 mths to Dec 31	309.4	(279.2)	0.25L	(0.135L)	0.5L	(0.27L)	nil	-	nil	-	nil

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge ♥After exceptional credit. †On increased capital ★ Comparatives restated. ӂOn reduced capital. ☆ Comparatives pro forma. ϕAim stock.

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Mirror Group

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EURO PRICES

EQUITIES

Banks hold firm in face of currency woes

EUROPEAN OVERVIEW

By Bertrand Benoit

European markets closed slightly higher yesterday as investors opted for a wait-and-see attitude in the face of mounting concern over Latin America.

Markets had opened lower on worries that Brazil's Real devaluation might escalate into a run on the Argentine peso and the *Hong Kong* dollar. But Wall Street's serenity after Friday's free-fall made for a virtually flat day.

The FTSE Eurotop 300 index of leading European stocks rose 6.15 to 1,186.50, while the FTSE Eurotop 100 gained 14.65 to 2,725.83. The FTSE Ebloc 100 index of euro-zone shares closed 2.74 higher at 994.85.

Banks, which suffered a 3 per cent fall on Friday, held firm as fears over their exposure to Latin America were offset by rosy merger and takeover prospects.

"If regulators overseeing mergers begin to look at euro-zone market share, the scope for consolidation in Europe becomes enormous," said John Morris, European banking analyst at Dresdner Kleinwort Benson.

"The Santander/BCH merger could be as much of a landmark for Europe as the takeover of Cheltenham & Gloucester by Lloyds in 1995 was for the UK," Mr Morris said.

Others, however, remain wary. Russia's default last year highlighted the sector's vulnerability to external shocks and there is widespread mistrust of the exposure figures published by European banks.

"Banking is a very difficult sector to call and it is unclear whether it has left the problems of last year behind," said Neil Cooper, pan-European strategist at BT Alex Brown.

CCF gained €1.40 to €79.40, while BNP was up €1 to €78. UBS was up €1.70 to €270.23 despite saying that it was cutting its long-term earnings prospects.

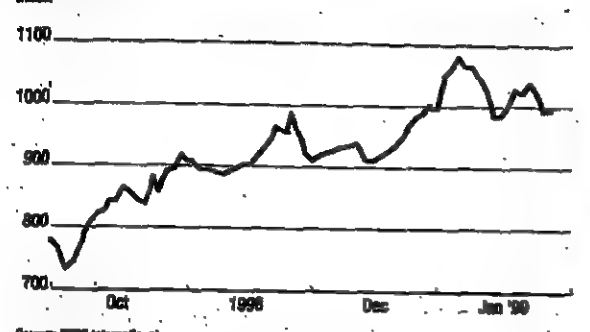
British banks underperformed due to fears that the Government may impose a windfall tax after it launched a review of the industry yesterday.

Securicor gained 40 cents to €8.31 after speculations it was about to sell its stake in *Cellnet*.

Pharmaceuticals, seen as a defensive sector, were up. Glaxo Wellcome gained 50 cents to €30.32 and Novartis recovered some of the ground that it lost last week, ending €9.10 higher at €1,667.02.

FTSE Ebloc 100

Index



Source: FTSE International

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Jan 25

National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total return (Euro) €
FTSE Eurotop 300	1186.50	+0.52	+6.15	2.20	0.42	[illegible]
FTSE Eurotop 100	2725.83	+0.54	+14.65	2.37	1.78	977.74
FTSE Ebloc 100	994.85	[illegible]	+2.74	2.08	0.34	1018.10
FTSE EuroMid	1129.81	+0.13	+1.48	2.90	0.90	1171.67
FTSE EuroMid Ebloc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1206.70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1225.89

OTHER INDICES

FTSE EUROTOP 300

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

BONDS

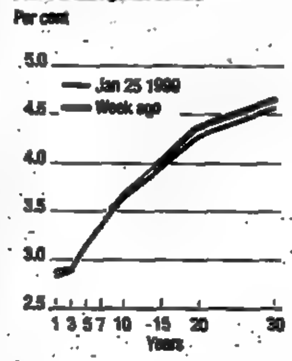
INTEREST RATE SWAPS

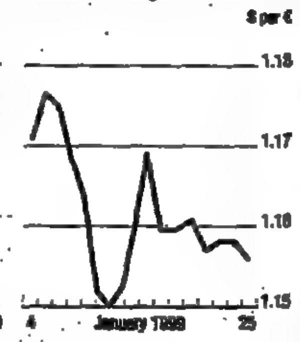
Jan 25	Bid	Ask	Bid	Ask	Bid
1 year	3.20	3.23	[illegible]	3.24	6.22
2 year	3.23	3.27	3.24	3.28	5.46
3 year	3.32	3.37	3.34	3.38	5.44
4 year	3.44	3.50	3.47	[illegible]	5.44
5 year	3.56	[illegible]	3.62	[illegible]	5.43
6 year	3.68	[illegible]	3.77	[illegible]	5.41

EURO-ZONE BONDS

Euro bond yield curve

Euro against the dollar





Source: Interactive Data; FT Information

Russia 'to honour post-1992 debts'

By John Thornhill in Moscow

Russia's finance ministry has continued to insist it would honour its post-1992 sovereign external debts, including eurobonds, in spite of its financial crisis.

A ministry official rejected the possibility that eurobonds might be included in a restructuring of Russia's external debts, as has been tentatively discussed with western finance officials.

Mikhail Kasyanov also denied Russia would discuss a restructuring of its Soviet-era debts at today's regular meeting of the Paris Club of sovereign creditors.

"Official talks with the Paris Club about a plan and conditions for restructuring the debt of the former Soviet Union can begin only after an agreement about an economic programme has been reached between Russia and the International Monetary Fund," he told the Interfax news agency.

US financial officials, accompanying Madeleine Albright, the US Secretary of State, on her visit to Moscow have been talking to their counterparts about Russia's external debt position.

The government has indicated it can only pay $9.5bn of the $17.5bn of external debt payments due this year. Russia is running up sizeable arrears on its Soviet-era debts to sovereign and commercial creditors but is current on post-1992 debt.

Some economists have suggested the Group of Seven industrialised nations might forgive some of Russia's $38.7bn of debts to the Paris Club as part of a restructuring deal but G7 finance officials insist it must first agree an economic programme with the IMF.

Prices fail to hold early gains

BENCHMARK BONDS

By Arkady Ostrovsky in London and Richard Waters in New York

Bond markets failed to sustain strong gains made in yesterday's early trading and closed broadly lower, dismissing speculation about the devaluation of the Chinese currency.

Prices staged a brief rally in early trading after stock markets sold off following a publication in a Chinese newspaper suggesting devaluation might not be "a bad thing" but the markets soon ran out of steam.

Observers said the report could have been sanctioned by the Chinese to test the mood in the capital markets.

"It seems like a balloon is being floated across capital markets to see what would happen if China devalued," said Richard Gray at Bank of America.

However, the consensus is that devaluation is unlikely, at least in the short term. China still has a current account surplus and has not exhausted such measures as monetary easing and fiscal relaxation, which usually precede a devaluation.

Nevertheless, Mr Gray said while the markets interpreted the rumours about devaluation as a "red herring", it reminded investors that the renminbi peg to the dollar is not set in stone.

The US Treasury market, caught between fears over rapid US expansion and risks of further devaluations in emerging markets, chose to focus on domestic issues yesterday morning. These included reports of a surge in existing home sales in December. The 3.1 per cent increase took the rise for all 1998 to 13.5 per cent.

The 30-year bond fell back in late morning trading, losing $\frac{11}{32}$ to $102\frac{1}{32}$ and lifting the yield to 5.114 per cent.

Prices also fell for all but the most short-dated securities, with two-year notes down $\frac{1}{32}$ to $100\frac{1}{32}$, for a yield of 4.589 per cent, and 10-year securities sliding $\frac{5}{32}$ to 100¾, lifting the yield to 4.669 per cent.

The benchmark 10-year German bund March future tested a new high of 117.96 before closing at 117.70, down 0.03 from Friday's close. The spread between 10-year Italian bonds and German bunds widened to 27 basis points from about 23 points last week.

The short end of the UK gilts market sold off, as investors began to doubt the chances of an interest rate cut next week, which had been priced in. The forward market is currently pricing in a 50 basis points cut in rates by March and 75 basis points by June.

Andy Bevan, at Goldman Sachs, said the June sterling interest rate future fell 13 basis points yesterday following comments by Eddie George, the governor of the Bank of England, that lowered expectations of an interest rate cut at the Bank's Monetary Policy Committee meeting next week.

The 10-year March gilt future closed 0.52 lower at 120.04. In the cash market, the benchmark 10-year gilt reached a 4.17 per cent yield in early trading, its lowest level in more than 40 years, indicating positive underlying sentiment towards gilts in the long term.

Singapore bolsters bond market

By Sheila McNulty in Kuala Lumpur

Singapore is moving quickly to bolster its bond market as part of a long-term effort to position itself as the biggest financial centre in Asia after Japan.

On Friday, United Overseas Bank launched the UOB-SGS index, the first to provide a consistent measure of the performance of the Singapore dollar fixed-income market.

On the same day, Linda Koh, senior director of the Monetary Authority of Singapore, the city-state's de facto central bank, said the authorities had approved requests by several international organisations to issue bonds in Singapore dollars and they were waiting for market timing to launch.

The MAS is also evaluating a potential candidate as a primary dealer in Singapore government securities, to bring the total number of such dealers to nine.

This comes after a year in which trading volumes in Singapore government securities rose to a daily average of S$870m – and more than S$1bn for the final four months of the year – from S$530m in 1997.

The city-state also issued its first 10-year bonds, modified its regulations so supranational bonds could be issued, and urged the private sector to raise funds in the market. The government even appointed a high-level committee to research and recommend ways to build the market further, proposing last year, for example, that pension funds invest in bonds and more government-linked organisations, such as banks and corporations, issue debt.

Olivetti launches €1.25bn bond

NEW ISSUES

By Edward Luce, Capital Markets Editor

Olivetti, the Italian telecommunications company, issued the largest euro-denominated bond by a European corporate in a €1.25bn offering. The bond, which was unrated, was Olivetti's second in the single currency after its debut offering last year.

The company, which is hoping to acquire US-based Cellular Communications International with Mannesmann, its German partner, reported more than €2bn of demand for the offering. It was increased by €250m.

Olivetti has been among the first European companies seeking to take advantage of the longer maturities on offer from the capital markets in comparison with the bank lending market.

Telecoms companies, many of which have led the way in the early stages of Europe's high-yield market, tend to be cost-intensive in the early stages of an investment project. This means cash flow can take years to come on stream. The bond markets are thus an ideal source of capital.

More than 70 per cent of yesterday's offering was taken by Italian investors, mostly banks. The bond, priced to yield 142 basis points over 10-year German bunds, tightened by a couple of basis points after launch.

MCL, the vehicle finance arm of Mitsubishi, securitised $220m of Japanese domestic car loans in a five-year bond lead-managed by Tokyo Mitsubishi. The bond, rated AAA, proved popular with European banks, which accounted for 80 per cent of distribution. The offering, secured against 21,500 loans, was priced at the relatively generous spread of 55 basis points over Libor. "Investors know the Japanese individual consumer is highly creditworthy," said one banker.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
MCL Auto Loan Fndg Co(a)‡	222	(a1)	100.00	Sep 2003	0.30	-	Tokyo-Mitsubishi Intl
GECC(b)	100	6.00(f)	99.95R	Feb 2003	0.225R	-	Warburg Dillon Read
Municipality Finance plc★	70	4.82(q)	100.00	Feb 2004	1.20	-	IBJ Intl/New Japan Secs
EUROS							
Olivetti International NV(c)	1.25bn	5.00	99.615R	Feb 2009	0.375R	+134(Apr08)	Lehman Brothers Intl
World Bank(d)	60	(d1)	99.10R	Feb 2029	0.60R	-	Merrill Lynch Intl
Argenta Nederland	50	4.35	100.00	Feb 2006	1.875	-	BCEE
GREEK DRACHMA							
Inter-American Dev Bank	20bn	6.25	99.9175R	Feb 2002	0.1675R	-	Deutsche Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Secured on Japanese auto loan receivables originated by Mitsubishi Auto Credit-lease Corporation. Average life: 1.22 yrs. a1) 1-mth Libor +55bp. b) $250m launched on 7/1/99 increased to $350m. c) Spread relates to French govt bonds. d) Redemption price: 165%. d1) 12% in yr 1, 6% in yr 2, 4% in yrs 3-5, then zero. f) Long 1st coupon. q) Quarterly coupons.

NEWS DIGEST

CREDIT RATINGS

Big increase in corporate allocations seen in 1998

Moody's Investors Services assigned its highest number of new corporate ratings for any single year in 1998, reflecting the onset of the euro, strong issuance of debt and lively merger and acquisition activity. The US agency allocated 95 new corporate ratings, against 42 in 1997.

For the first time the number of sub-investment grade ratings, at 57 per cent, was greater than for investment grade. The larger share of sub-investment ratings was because of the strong flow of high-yield, or junk, bonds (nearly 70 issues and mostly in the first half before the Russian crisis killed the market, compared with 41 in 1997). New ratings of European corporates by Standard & Poor's, the other leading US agency, also rose by between 40 and 50 per cent last year compared with 1997.

The record number of new ratings reflects broader developments in the European capital markets, which, after the launch of the euro, is resembling the US market, where credit ratings are routinely used as a guide to relative pricing of debt. Credit ratings agencies have also been recruiting analysts to cope with the demand.

Moody's said the demand for ratings was likely to rise as corporates come under increasing pressure to deliver shareholder value. This is forcing companies to reconsolidate, giving rise to ratings where debt is raised to finance restructuring. Lafarge, the French cement company, and DSM, the Dutch chemicals group, are among corporates that sought a rating for the first time last year.
Khozem Merchant

EQUITY INDICES

Benchmark battle escalates

The battle to become the leading equity index benchmark in the euro-zone escalated on Friday with FTSE International's announcement that new derivative products based on two of its leading European equity indices would be launched in May.

FTSE said it would offer four euro-denominated futures and options contracts linked to its Ebloc 100 index of shares in euro-zone stock markets and its Eurotop 300 index, which covers pan-European markets. The contracts will trade on the Amsterdam Exchanges and the London International Financial Futures and Options Exchange. Liffe will also offer two additional contracts on the FTSE Eurotop 300 ex-UK index.

Investors use index-linked derivatives as hedging tools and to get indirect exposure to share price movements in European equity markets. Two contracts based on the FTSE Eurotop 100 index, which includes stocks inside and outside the euro-zone, are available on the two exchanges. The most widely traded euro-zone equity futures contract is the Dow Jones EuroStoxx 50, listed on Eurex, the German-Swiss derivatives market. Bertrand Benoit

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Jan 25	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	107.4722	4.70	-0.08	-0.12	+0.10	-0.80
	08/08	8.750	128.8117	4.93	-0.14	-0.25	+0.06	-0.91
Austria	07/00	5.875	104.1100	2.95	-0.04	-0.01	-0.32	-1.20
	01/08	5.000	108.9800	3.80	+0.01	-0.05	-0.26	-1.41
[illegible]								

BOND FUTURES AND OPTIONS

France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	113.46	113.40	-0.02	113.60	113.32	20,179	91,201

[illegible]

US CORPORATE BONDS

Jan 22	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	105.2399	5.23	-0.03	-0.16	+5.23
NY Tel	06/03	7.00	A+	103.1225	6.64	-0.13	-0.24	+2.11
[illegible]								

US INTEREST RATES

[illegible]

INTERNATIONAL BONDS

Jan 25	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
US $								
EIB	04/07	7.250	AAA	111.3800	5.48	+0.01	+0.14	+0.86
ABN Amro	06/07	7.125	AA-	104.0873	6.47	+0.01	+0.11	+1.84
Quebec	01/07	7.000	A+	105.3487	5.99	+0.01	+0.07	+1.36
[illegible]								

10 YEAR BENCHMARK SPREADS

[illegible]

EMERGING MARKET BONDS

[illegible]

UK BONDS

FTSE Actuaries Government Securities

[illegible]

UK Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES & MONEY

China talk puts pressure on HK peg

MARKETS REPORT

By Florian Gimbel and Robert Chote

Rumours over a possible devaluation of China's renminbi sent shivers through Asian currency markets on Monday, putting further pressure on the Hong Kong dollar peg.

Following the devaluation of the Brazilian real, markets seem to have concluded that China could be next in the line of possible victims. A report in an official newspaper, suggesting that "a renminbi devaluation would not definitely be a bad thing", fuelled speculation in the offshore markets.

But analysts are divided over the significance of the recent rumours.

The speculation had only a modest impact on the big currencies. The dollar edged lower against the yen to Y114.1 and higher against the euro to $0.863.

China will devalue its currency by about 10 per cent in the second half of 1999, and Hong Kong will be forced to abandon its dollar peg in early 2000, CLSA Global Emerging Markets predicted in a research report.

Jim Walker, CLSA Chief Economist, emphasised that China's decision to devalue the renminbi would be driven by domestic economic imperatives and not by worries over competitiveness. With reform of banking and the state enterprises stalling, China might use exchange rate policy to stimulate growth, he added. He though this year's official growth forecast of 7.8 per cent over-optimistic.

But this is precisely why some analysts do not expect devaluation to be imminent. "Devaluing at this moment would be a tacit admission that the actual growth figures do not correspond to the official ones," said Nick Douch, at Barclays Capital.

Callum Henderson, currency analyst of Citibank, said he thinks the recent rumours were being used as an excuse to sell Asian currencies. "Devaluation would not help [China's] domestic economy, which suffers from overcapacity. Instead, it will jeopardise the ailing banking system and will artificially inflate China's dollar debt," he said.

■ Having been mesmerised by the Bank of England's aggressive easing of interest rates over the last four months, futures traders yesterday recalled that what goes down can go up.

This thought was planted in their minds by an interview with Eddie George, the governor of the Bank of England, in the Scotland on Sunday newspaper.

"There's certainly a possibility that we will be too aggressive in easing... and that we will find that [the slump in] consumer confidence goes away and that the world situation is not as bad as we supposed," Mr George was quoted as saying. "Then, of course, if we saw that happening we would adjust policy in the other direction".

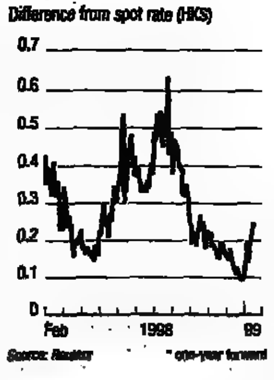
Mr George's comments saw UK interest rate forecasts implied by the future market rise by up to 15 basis points over the coming year, as did further contemplation of last Friday's unexpectedly strong fourth quarter growth figures. The September 1999 contract settled at 94.92, implying base rates of around 5 per cent down from the current 6 per cent.

Sterling benefited from increase in base rate expectations. Against the Bank of England's trade-weighted currency basket, the pound rose from 99.8 per cent of its 1990 value on Friday night to 100.2 per cent.

Kit Juckes, at NatWest, noted that sterling had been pricing in a recession and base rates below 5 per cent. "But the monetary policy committee will be thinking about raising rates a lot sooner than Europe will," he said, adding that sterling would be supported when this realisation took hold.

Hong Kong dollar forward*

Difference from spot rate (HK$)



Source: Reuters * one-year forward

Statistical Changes

Following the birth of the euro, the London International Financial Futures and Options Exchange has just converted the open interest in its Euromark and Eurolira futures and options contracts into Euro Libor contracts. Statistics here have been changed today to reflect this. We have added a Liffe Euribor options contract to the coverage. On the International Capital Markets page, the Liffe Italian bond and German bund option contracts disappear.

■ POUND IN NEW YORK

Jan 25	—Latest—	— Prev. close —
£ spot	1.6560	1.6545
1 mth	1.6546	1.6532
3 mth	1.6528	1.6515
1 yr	1.6495	1.6500

■ OTHER CURRENCIES

Jan 25	£	$
Czech Rp	50.5985 - 52.0403	31.3800 - 31.3930
Hungary	358.442 - 358.947	216.320 - 216.520
Iran	4973.40 - 4971.00	3000.00 - 3000.00
Kuwait	0.5004 - 0.5012	0.3020 - 0.3023
Peru	5.4631 - 5.4724	3.2970 - 3.3010
Poland	5.9486 - 5.9596	3.5900 - 3.5950
Russia	38.1607 - 38.3448	23.0000 - 23.1000
U.A.E.	6.0857 - 6.0891	3.6727 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jan 25		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. index
Europe													
Austria*	(Sch)	19.7253	+0.0727	137 - 368	19.7513	19.6380	19.6799	2.8	19.5908	2.8	19.2611	2.4	103.1
Belgium*	(BFr)	57.8269	+0.2131	929 - 608	57.9030	57.5720	57.6923	2.8	57.4501	2.8	56.4661	2.4	103.1
Denmark	(DKr)	10.6634	+0.0421	591 - 676	10.6744	10.6147	10.6438	2.2	10.6104	2.0	10.4754	1.8	108.4
Finland*	(FM)	8.5231	+0.0314	181 - 281	8.5340	8.4850	8.5032	2.8	8.4675	2.8	8.3224	2.4	81.9
France*	(FFr)	9.4031	+0.0347	976 - 086	9.4155	9.3615	9.3811	2.8	9.3418	2.8	9.1819	2.4	106.6
Germany*	(DM)	2.8037	+0.0104	020 - 053	2.8079	2.7908	2.7972	2.8	2.7854	2.8	2.7377	2.4	104.4
Greece	(Dr)	461.188	+1.0530	828 - 548	461.758	460.282	463.167	-5.1	467.046	-5.1	480.212	-4.1	63.1
Ireland*	(I£)	1.1290	+0.0042	283 - 298	1.1305	1.1240	1.1264	2.8	1.1217	2.6	1.1024	2.4	94.9
Italy*	(L)	2775.62	+10.2200	399 - 725	2779.25	2763.36	2769.15	2.8	2757.53	2.8	2710.3	2.4	78.0
Luxembourg*	(LFr)	57.8269	+0.2131	929 - 608	57.9030	57.5720	57.6923	2.8	57.4501	2.8	56.4661	2.4	103.1
Netherlands*	(Fl)	3.1590	+0.0116	571 - 608	3.1631	3.1451	3.1516	2.8	3.1384	2.8	3.0848	2.4	102.6
Norway	(NKr)	12.3489	+0.0271	387 - 590	12.3878	12.2991	12.3754	-2.6	12.4113	-2.0	12.4718	-1.0	92.9
Portugal*	(Es)	287.389	+1.0590	230 - 536	287.772	286.120	286.72	2.8	285.518	2.6	280.626	2.4	92.5
Spain*	(Pta)	238.513	+0.8780	373 - 652	238.820	237.460	237.958	2.8	236.859	2.8	232.9	2.4	77.2
Sweden	(SKr)	12.8128	+0.0027	020 - 231	12.8468	12.7421	12.7851	2.5	12.7383	2.4	12.5484	2.1	83.1
Switzerland	(SFr)	2.2914	+0.0056	900 - 927	2.2960	2.2789	2.2821	4.9	2.2657	4.5	2.2036	3.8	108.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.2
Euro	(€)	1.4335	+0.0053	326 - 343	1.4355	1.4272	1.4302	2.8	1.4242	2.6	1.3996	2.4	-
SDR†	-	1.178600	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6572	+0.0036	567 - 576	1.6605	1.6544	-	-	-	-	-	-	-
Brazil	(R$)	2.9502	+0.1546	329 - 675	2.9695	2.0475	-	-	-	-	-	-	-
Canada	(C$)	2.5122	-0.0020	107 - 136	2.5266	2.5064	2.5103	0.9	2.5077	0.7	2.5006	0.5	78.8
Mexico	(New Peso)	16.9221	+0.0498	014 - 427	16.9598	16.8978	17.3632	-31.3	18.118	-28.3	20.9662	-24.0	-
USA	($)	1.6574	+0.0032	570 - 578	1.6608	1.6550	1.656	1.0	1.6542	0.8	1.6511	0.4	104.3
Pacific/Middle East/Africa													
Australia	(A$)	2.6235	+0.0130	218 - 252	2.6329	2.6120	2.621	1.1	2.6178	0.9	2.6111	0.5	78.7
Hong Kong	(HK$)	12.8444	+0.0264	404 - 483	12.8700	12.8246	12.8485	-0.4	12.8885	-1.4	13.2086	-2.8	-
India	(Rs)	70.4520	+0.1237	308 - 731	70.6800	70.3570	70.7237	-4.6	71.5412	-6.2	75.6494	-7.4	-
Indonesia	(Rupiah)	15434.55	+826.8900	568 - 040	15854.90	14755.00	16059.71	-44.7	17190.64	-45.7	21988.3	-48.7	-
Israel	(Shk)	6.7882	+0.0130	686 - 707	6.7800	6.7522	-	-	-	-	-	-	-
Japan	(Y)	189.095	+0.0570	732 - 949	190.130	188.450	187.881	5.6	186.336	6.3	179.821	4.9	133.5
Malaysia	(M$)	6.2981	+0.0122	881 - 081	6.3107	6.2893	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.0886	+0.0211	849 - 022	3.1108	3.0845	3.0832	2.1	3.0872	1.5	3.0832	0.5	90.1
Philippines	(Peso)	64.2243	+0.2913	802 - 684	64.4095	63.9469	64.6594	-8.6	65.5156	-8.0	69.3486	-8.0	-
Saudi Arabia	(SR)	6.2163	+0.0110	144 - 181	6.2287	6.2093	6.2202	-0.8	6.226	-1.2	6.3051	-1.4	-
Singapore	(S$)	2.7969	+0.0187	954 - 984	2.8033	2.7870	2.7861	3.6	2.7756	3.1	2.7315	2.3	-
South Africa	(R)	10.0148	+0.0465	041 - 255	10.1269	10.0170	10.1032	-10.8	10.2781	-10.5	11.042	-10.3	-
South Korea	(Won)	1954.90	+3.4200	195 - 786	1969.50	1951.67	-	-	-	-	-	-	-
Taiwan	(T$)	53.5785	+0.1464	211 - 298	54.5141	53.4859	53.6876	-2.5	53.8461	-2.0	54.2890	-1.3	-
Thailand	(Bt)	61.1747	+0.1862	936 - 557	62.0780	59.7590	61.2989	-2.4	61.6365	-3.0	63.4209	-3.7	-

† Rates for Jan 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 25		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria*	(Sch)	11.9013	+0.0205	972 - 054	11.9064	11.8542	11.8836	1.8	11.8485	1.8	11.6668	2.0	103.0
Belgium*	(BFr)	34.8901	+0.0603	780 - 021	34.9050	34.7520	34.8363	1.8	34.7292	1.8	34.198	2.0	103.2
Denmark	(DKr)	6.4338	+0.0128	328 - 348	6.4358	6.4082	6.4273	1.2	6.4141	1.2	6.3443	1.4	105.9
Finland*	(FM)	5.1426	+0.0089	407 - 445	5.1444	5.1221	5.1349	1.8	5.1188	1.8	5.0404	2.0	81.4
France*	(FFr)	5.6734	+0.0098	714 - 754	5.6754	5.6509	5.665	1.8	5.6472	1.8	5.5609	2.0	106.2
Germany*	(DM)	1.6916	+0.0029	912 - 920	1.6925	1.6849	1.6891	1.8	1.6836	1.8	1.658	2.0	104.2
Greece	(Dr)	278.260	+0.0900	110 - 410	278.450	277.570	279.68	-6.2	282.336	-5.9	291.025	-4.6	62.7
Ireland*	(I£)	1.4681	-0.0005	676 - 686	1.4739	1.4675	1.4705	-1.8	1.4748	-1.8	1.4976	-2.0	-
Italy*	(L)	1674.68	+2.8900	411 - 526	1675.50	1668.05	1672.2	1.8	1666.98	1.8	1641.46	2.0	75.8
Luxembourg*	(LFr)	34.8901	+0.0603	780 - 021	34.9050	34.7520	34.8363	1.8	34.7292	1.8	34.198	2.0	103.2
Netherlands*	(Fl)	1.9060	+0.0033	053 - 067	1.9073	1.8984	1.9031	1.8	1.8972	1.8	1.8682	2.0	102.8
Norway	(NKr)	7.4508	+0.0018	465 - 550	7.4657	7.4190	7.4731	-3.6	7.5008	-2.8	7.5534	-1.4	92.3
Portugal*	(Es)	173.397	+0.2990	337 - 457	173.460	172.710	173.138	1.8	172.586	1.8	169.957	2.0	92.9
Spain*	(Pta)	143.908	+0.2490	859 - 957	143.960	143.340	143.694	1.8	143.245	1.8	141.053	2.0	76.9
Sweden	(SKr)	7.7305	-0.0015	260 - 350	7.7464	7.6917	7.7206	1.8	7.6992	1.8	7.5966	1.7	82.2
Switzerland	(SFr)	1.3825	+0.0007	820 - 830	1.3830	1.3745	1.378	3.9	1.3696	3.7	1.3348	3.5	107.8
UK	(£)	1.6574	+0.0032	570 - 578	1.6608	1.6550	1.656	1.0	1.6542	0.8	1.6511	0.4	99.6
Euro	(€)	1.1592	-0.0020	586 - 598	1.1610	1.1558	1.1579	-1.6	1.1615	-1.8	1.1798	-2.0	-
SDR†	-	0.71348	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0002	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.7800	+0.0900	700 - 900	1.7900	1.7200	-	-	-	-	-	-	-
Canada	(C$)	1.5157	-0.0042	152 - 162	1.5236	1.5150	1.5159	-0.1	1.516	-0.1	1.5145	0.1	78.4
Mexico	(New Peso)	10.2100	+0.0100	000 - 200	10.2400	10.2000	10.485	-32.3	10.9525	-29.1	12.71	-24.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	105.8
Pacific/Middle East/Africa													
Australia	(A$)	1.5829	+0.0047	823 - 835	1.5876	1.5778	1.5825	0.3	1.582	0.2	1.5814	0.1	79.2
Hong Kong	(HK$)	7.7497	+0.0007	492 - 502	7.7505	7.7485	7.7587	-1.4	7.7912	-2.1	7.9997	-3.2	-
India	(Rs)	42.5075	-0.0068	050 - 100	42.5170	42.5020	42.7075	-5.6	43.2475	-7.0	45.8125	-7.8	-
Indonesia	(Rupiah)	9312.50	+362.5000	500 - 000	9450.00	8910.00	9667.5	-45.7	10397.5	-46.6	13062.5	-40.3	-
Israel	(Shk)	4.0942	-0.0002	786 - 098	4.0900	4.0742	-	-	-	-	-	-	-
Japan	(Y)	113.935	-0.1900	900 - 970	114.500	113.590	113.5	4.6	112.64	4.5	108.785	4.5	134.0
Malaysia‡	(M$)	3.8000	-	000 - 000	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8635	+0.0000	678 - 713	1.8744	1.8622	1.8577	1.2	1.8659	0.8	1.8684	0.2	-
Philippines	(Peso)	38.7500	+0.1000	000 - 000	38.9000	38.6000	39.06	-9.6	39.605	-8.8	42	-8.4	-
Saudi Arabia	(SR)	3.7506	-0.0007	504 - 508	3.7506	3.7504	3.7561	-1.8	3.7661	-2.0	3.8188	-1.8	-
Singapore	(S$)	1.6876	+0.0090	870 - 880	1.6910	1.6842	1.6837	2.7	1.6778	2.3	1.6542	2.0	-
South Africa	(R)	6.0425	+0.0175	375 - 475	6.1000	6.0340	6.101	-11.6	6.2120	-11.3	6.6575	-10.7	-
South Korea	(Won)	1179.50	-0.2500	900 - 100	1190.10	1177.80	-	-	-	-	-	-	-
Taiwan	(T$)	32.3250	+0.0250	000 - 500	32.3500	32.3000	32.42	-3.5	32.56	-2.8	32.88	-1.7	-
Thailand	(Bt)	36.9100	+0.0400	700 - 500	37.1000	36.0500	37.015	-3.4	37.28	-3.8	38.41	-4.1	-

† SDR rate per $ for Jan 22. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is [illegible]. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Jan 22. Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. * EMU member.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Jan 25	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone	3⅛	3¼	2⅞	3	2⅞	–	3.00	3.00
Switzerland	¾	⅞	1⅛	1⅛	1⅜	–	1.00	–
US	4⅞	4⅞	4⅞	4⅞	4⅞	–	4.50	–
Japan	⅛	⅛	¼	¼	½	–	0.50	–
■ $ LIBOR BBA London								
Interbank Fixing	–	4⅞	4⅞	4⅞	5⅛	–	–	–
US Dollar CDs	–	4.77	4.77	4.71	4.70	–	–	–
Euro Linked Ds	–	3¼	3⅛	3⅛	3⅛	–	–	–
SDR Linked Ds	–	3⅞	3⅛	3¼	3¼	–	–	–
BBA Euro Libor	–	3⅛	3⅛	3⅛	2⅞	–	–	–
Euro Euribor	–	3.111	3.069	3.016	2.961	–	–	–
EONIA	3.07	–	–	–	–	–	–	–
EURONIA	3.1188	–	–	–	–	–	–	–

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Jan 25	Short term	7 days notice	One month	Three months	Six months	One year
Euro	3⅛ - 3⅛	3⅛ - 3	3⅛ - 3	3 - 2⅞	3⅛ - 2⅞	3 - 2⅞
Danish Krone	3⅞ - 3⅝	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞
Sterling	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞
Swiss Franc	⅝ - ½	1⅛ - ⅞	1 - ⅞	1⅛ - 1⅛	1⅛ - 1⅛	1⅛ - 1⅛
Canadian Dollar	5 - 4⅞	5⅛ - 4⅞	5 - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞
US Dollar	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞
Japanese Yen	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛
Asian $Sing	¾ - ½	2 - 1¾	2⅛ - 2	2⅛ - 2⅛	3⅛ - 2⅞	3⅛ - 2⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.050	97.040	-0.010	97.050	97.030	1,967	33,018
Jun	97.195	97.185	–	97.235	97.180	1,160	19,954

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.045	97.035	-	97.055	97.030	13335	67775
Jun	97.190	97.175	-	97.195	97.170	19828	60745
Sep	97.240	97.230	+0.005	97.250	97.225	10527	35247
Dec	97.015	96.995	-	97.015	96.990	8326	38172

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.045	97.035	-	97.050	97.030	12718	5931
Jun	97.185	97.170	-0.005	97.200	97.165	17372	2463
Sep	97.230	97.230	+0.005	97.250	97.225	10905	1532
Dec	97.010	96.995	-	97.015	96.990	2856	989

■ EURIBOR OPTIONS (LIFFE) €1m 100 - rate

Strike Price	CALLS Mar	Jun	Sep	Dec	PUTS Mar	Jun	Sep	Dec
97125	0.015	0.030			0.100	0.120		
97250	0.005	0.015	0.065	0.095	0.220	0.235	0.140	0.170
97375	0	0.010			0.340	0.350		
97500	0	0.005	0.020	0.030	0.465	0.470	0.345	0.355

Est. vol. total, Calls 100 Puts 200. Previous day's open int., Calls 17908 Puts 5475

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100 - rate

Strike Price	CALLS Mar	Jun	Sep	Dec	PUTS Mar	Jun	Sep	Dec
97125	0.015	0.030			0.105	0.120		
97250	0.005	0.015	0.085	0.095	0.220	0.230	0.145	0.175
97375	0	0.010			0.340	0.350		
97500	0	0.005	0.020	0.030	0.465	0.470	0.350	0.360

Est. vol. total, Calls 10075 Puts 8013. Previous day's open int., Calls 1201 Puts 100

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.720	98.710	-	98.730	98.700	8492	63479
Jun	98.630	98.600	-	98.650	98.590	6093	44858
Sep	98.520	98.490	-	98.520	98.480	1400	29621
Dec	98.190	98.180	-0.010	98.210	98.170	1401	11024

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	99.37	-	-	-	0	n/a
Jun	-	99.46	-0.01	-	-	0	n/a
Sep	-	99.37	-0.01	-	-	0	n/a

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100 - rate

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
98750	0.100	0.125	0.160	0.140	0.275	0.410
98875	0.050			0.215		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2825 Puts 2062

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 25		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.44	16.26	4.848	1.952	4800	5.463	21.35	497.0	412.5	22.16	3.963	1.729	4.344	2.866	326.6	2.479
Denmark	(DKr)	54.23	10	8.818	2.629	1.059	2603	2.962	11.58	269.5	223.7	12.02	2.149	0.938	2.356	1.554	177.1	1.344
France*	(FFr)	61.50	11.34	10	2.982	1.201	2952	3.360	13.13	305.6	253.7	13.63	2.437	1.063	2.672	1.763	200.8	1.525
Germany*	(DM)	20.63	3.803	3.354	1	0.403	990.0	1.127	4.405	102.5	85.07	4.570	0.817	0.357	0.896	0.591	67.35	0.511
Ireland*	(I£)	51.22	9.445	8.329	2.483	1	2459	2.798	10.94	254.6	211.3	11.35	2.030	0.886	2.225	1.468	167.3	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.445	10.35	8.593	0.462	0.083	0.036	0.091	0.060	6.803	0.052
Netherlands*	(Fl)	18.31	3.376	2.977	0.888	0.357	878.6	1	3.909	90.97	75.50	4.056	0.725	0.317	0.795	0.525	59.78	0.454
Norway	(NKr)	46.83	8.635	7.614	2.270	0.914	2248	2.558	10	232.7	193.1	10.38	1.856	0.810	2.034	1.342	152.9	1.161
Portugal*	(Es)	20.12	3.710	3.272	0.976	0.393	965.8	1.099	4.297	100	82.99	4.459	0.797	0.348	0.874	0.577	65.71	0.499
Spain*	(Pta)	24.24	4.471	3.942	1.175	0.473	1164	1.324	5.177	120.5	100	5.372	0.961	0.419	1.053	0.695	79.17	0.601
Sweden	(SKr)	45.13	8.323	7.339	2.188	0.881	2166	2.465	9.638	224.3	186.2	10	1.789	0.780	1.961	1.294	147.4	1.119
Switzerland	(SFr)	25.24	4.654	4.104	1.224	0.493	1211	1.379	5.389	125.4	104.1	5.592	1	0.436	1.096	0.723	82.41	0.626
UK	(£)	57.83	10.66	9.403	2.804	1.129	2776	3.159	12.35	287.4	238.5	12.81	2.291	1	2.512	1.657	188.8	1.433
Canada	(C$)	23.02	4.245	3.743	1.116	0.449	1105	1.257	4.916	114.4	94.94	5.100	0.912	0.398	1	0.660	75.17	0.571
USA	($)	34.89	6.434	5.673	1.692	0.681	1675	1.906	7.451	173.4	143.9	7.731	1.383	0.603	1.516	1	113.9	0.865
Japan	(Y)	30.62	5.647	4.980	1.485	0.598	1470	1.673	6.540	152.2	126.3	6.785	1.213	0.530	1.330	0.878	100	0.759
Euro	(€)	40.34	7.439	6.560	1.956	0.788	1936	2.204	8.615	200.5	166.4	8.938	1.599	0.698	1.753	1.156	131.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5935	0.5937	-0.0002	0.5960	0.5920	10,124	56,596
Jun	–	0.5965	-0.0103	–	–	251	1,484
Sep	–	0.5996	-0.0110	–	–	–	143

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7270	0.7293	+0.0031	0.7318	0.7270	10,500	39,293
Jun	0.7352	0.7368	+0.0041	0.7368	0.7352	8	403
Sep	–	0.7431	+0.0042	0.7431	–	1	321

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8786	0.8828	+0.0052	0.8854	0.8781	16,777	76,107
Jun	–	0.8925	+0.0047	0.8946	–	153	4,064
Sep	–	0.8981	–	–	–	18	1,394

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6528	1.6560	+0.0036	1.6586	1.6520	6,369	40,399
Jun	–	1.6550	+0.0030	1.6550	–	3	1,320
Sep	–	1.6540	+0.0048	1.6540	–	–	230

UK INTEREST RATES

LONDON MONEY RATES

Jan 25	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 5½	6⅛ - 5⅞	6⅛ - 6⅛	5⅞ - 5¾	5⅞ - 5⅞	5⅞ - 5⅛
Sterling CDs	-	-	6⅛ - 6	5⅞ - 5¾	5⅞ - 5⅞	5⅞ - 5⅛
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅞	5¾ - 5⅞	-	-
Local authority deps.	5¾ - 5½	6⅛ - 6⅛	6⅛ - 5⅞	5⅞ - 5⅞	5⅞ - 5¾	5⅛ - 5⅛
Discount Market deps	6 - 5½	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 6 per cent from Jan 7, 1999

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Jan 22, 5.2527pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 31, 1998. Agreed rate for period Jan 26, 1999 to Feb 23, 1999, Scheme III 7.74pc. Reference rate for period Dec 1, 1998 to Dec 31, 1998, Scheme IV & V 6.501pc. Finance House Base Rate 7pc for Jan 1999.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.500	94.420	-0.080	94.500	94.400	26606	194422
Jun	94.850	94.720	-0.130	94.850	94.700	47512	188343
Sep	95.050	94.920	-0.140	95.050	94.910	45635	180128
Dec	94.840	94.720	-0.120	94.840	94.710	10843	138752
Mar	95.160	95.040	-0.110	95.160	95.030	10200	122200

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
94250	0.210	0.515	0.745	0.040	0.045	0.075
94375	0.125			0.080		
94500	0.070	0.320	0.545	0.150	0.100	0.125
94625	0.040			0.245		
94750	0.020	0.170	0.375	0.350	0.200	0.205
94875	0.010			0.465		

Est. vol. total, Calls 9522 Puts 10587. Previous day's open int., Calls 502532 Puts 531341

EMS EUROPEAN CURRENCY UNIT RATES

Jan 25	Euro cen. rates	Rate against Euro €	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	353.109	322.05	-0.6	-8.80	9.30	69
Denmark	7.46038	7.4387	-0.0005	-0.32	0.00	2
NON EMU MEMBERS						
UK	0.653644	0.69890	-0.0057	6.92	-6.77	–

Euro central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Euro; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Euro central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Euro central rate. 17/9/92: Sterling suspended from ERM. 16/3/98. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.640	2.03	2.57	3.12	0.77	1.42	2.05
1.650	1.42	2.05	2.58	1.14	1.88	2.51
1.660	1.00	1.64	2.21	1.62	2.35	2.95

Previous day's vol., Calls 0 Puts 0. Prev. day's open int., Calls 452 Puts 1,453

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
0.590	0.67	1.00	1.31	0.38	0.58	0.82
0.595	0.41	0.73	1.04	0.61	0.85	1.06
0.600	0.25	0.53	0.82	0.94	1.12	1.34

Previous day's vol., Calls 9 Puts 2. Prev. day's open int., Calls 403 Puts 3,560

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.08	95.07	–	95.09	95.04	38,866	477,030
Jun	95.17	95.16	–	95.18	95.16	61,381	422,936
Sep	95.20	95.18	-0.01	95.20	95.14	100,660	379,546

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.87	95.87	+0.02	-	–	89	2,172
Jun	-	95.85	-	-	–	62	108

All Open interest figs. are for previous day

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Exeter Trust Limited	7.00	●Singer & Friedlander	6.00
Allied Irish Bank (GB)	6.00	Financial & Gen Bank	6.00	Smith & Williamson	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	Sun Bank	6.00
Banco Bilbao Vizcaya	6.00	Habib Bank AG Zurich	6.00	TSB	6.00
Bank of Cyprus	6.00	Heritable & Gen Inv Bk	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	C. Hoare & Co	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	●SG Hambros Bank & Trust	6.00	Whiteaway Laidlaw	6.00
Bank of Scotland	6.00	Hongkong & Shanghai	6.00	Yorkshire Bank	6.00
Barclays Bank	6.00	Investec Bank (UK) Ltd	6.00		
Brit Bk of Mid East	6.00	Julian Hodge Bank	6.00		
●Brown Shipley & Co Ltd	6.00	●Leopold Joseph & Sons	6.00		
Citibank NA	6.00	Lloyds Bank	6.00		
Clydesdale Bank	6.00	Midland Bank	6.00		
The Co-operative Bank	6.00	NatWestminster	6.00		
Coutts & Co	6.00	●Rea Brothers	6.00		
Cyprus Popular Bank	6.25	Royal Bk of Scotland	6.25		
Duncan Lawrie	6.00	Scottish Widows Bank	6.75		

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COMMODITIES & AGRICULTURE

Further drop in metals on LME

MARKETS REPORT

By Gillian O'Connor and Paul Solman

The suspension of two important expansion projects by the world's largest copper producer failed to stop prices falling further on the London Metal Exchange.

Traders were more influenced by the rise in LME warehouse stocks to near record levels. They had expected more expansion plans to be put on ice; what they are hoping for is more big cuts in existing mine production to reduce the metal surplus.

Chile's Codelco blamed budget restrictions and the low copper price for its decision to defer the expansion of its Radomiro Tomic and El Teniente divisions by about 70,000 tonnes and 150,000 tonnes respectively.

LME stocks now stand at 623,000 tonnes, only slightly below the 645,000 tonne record reached in January 1978, and are expected to continue rising.

Aluminium stocks, up by 2 per cent, compounded the gloom. Prices of all metals closed lower on the LME.

World oil prices fell in spite of renewed military activity in the Gulf. In late trading on London's International Petroleum Exchange, the bellwether March contract for Brent blend was $10.81 a barrel against Friday's close of $11.10.

The market appeared to have ignored reports that US aircraft had attacked Iraq air defence installations while patrolling "no-fly" zones in the country.

In other oil news, the Iraqi press reported that Baghdad would ask the Organisation of Petroleum Exporting Countries to cut Saudi Arabia's quota of exported oil by more than a third in an effort to restore stability to the market.

Wheat production expected to fall

By Paul Solman

Unfavourable weather and low prices will cut world wheat production this year, according to the International Grains Council.

Heavy rain hit 1998 crops in many European countries, and UK, Danish, German, Finnish and Romanian farmers are expected to plant less wheat this year due to delays from bad weather.

Sweden's winter wheat plantings are reported as much as 40 per cent lower, while Bulgaria's are expected to fall by 20 per cent, the IGC said in its first assessment of the outlook for 1999.

France's 1998 harvest was delayed by rain but the planted area is not expected to be reduced in 1999.

In the US, low prices have persuaded farmers to abandon 2.3m hectares for the winter season, reducing the planted area to 17.6m hectares, the smallest since 1972.

As a result, the US winter crop is expected to total 45.6m tonnes against 52.1m tonnes last year, while the total crop for 1999 is put at 61m tonnes compared with 69.4m tonnes last year.

"Low international prices may bring wheat acreage in Canada down further; however, wheat is spring-sown so producers have several weeks to finalise planting decisions," the IGC added.

Where European wheat farmers have been soaked by too much rain, some of their Asian and African counterparts have had too little. Unusually dry conditions have been reported in China, Morocco and Pakistan, while India needs more rain.

The IGC forecasts 1999 global production at 575m tonnes, down 8m tonnes from 1998 but still the third highest figure on record.

The Commonwealth of Independent States and the Baltic region are expected to increase wheat production, with total output forecast at 67.5m tonnes against 57.1m tonnes in 1998. More wheat is also expected to be planted in Turkey as farmers switch from the less profitable cotton crop.

Bangladesh fights its poor tea image

The industry needs effective marketing to back its quality campaign, says **Kunal Bose**

Picking up: an expanding local market has encouraged tea gardens to improve quality Kunal Bose

Crush, tear and curl teas from Bangladesh are much better now than they were 10 years ago, but their prices are being discounted by 15 to 25 per cent on the world market.

The Bangladeshi planters who rescued an industry ruined by the liberation war of 1971 are smarting from the low prices.

"As with so many of our products, Bangladeshi tea suffers from an image problem," says Quamrul Chowdhury, chief executive of James Finlay and chairman of the Bangladesh Tea Association.

"We do not claim our tea compares with that of upper Assam or Darjeeling, but much of our tea is as good as that in lower Assam or north Bengal in India. Its qualities are good liquor and smoothness," he says.

A fast expanding local market for good liquor tea, which sells at a premium, has encouraged tea gardens to improve quality.

"Although it took time for the quality campaign to catch on, we estimate about 14m kg of Bangladesh's total production of 55m kg is good tea," says Salman Ispahani, director of M.M. Ispahani, one of the country's largest tea companies. "Such tea is made by gardens that went for large-scale replantation and used high quality clonal planting material."

Bangladeshi producers have to fight their image of making poor quality tea for use as cheap fillers in blends, says Mr Chowdhury.

"What we still don't have is an effective marketing strategy," he says. "We should also explore the scope for exporting tea in value added form." He feels the government has an important role to play in building up the image of local tea by providing funds to promote it.

Tea bushes in more than 40 per cent of the plantation area are at least 60 years old. "These are not good quality plants; they are past their most productive period," says A. Rouf, director of Duncan Brothers, the country's biggest tea producer.

Ageing bushes are the main reason Bangladesh produces just 1,116kg of tea a hectare, the lowest productivity among tea producing countries. Mr Rouf says more than 50 of the 156 gardens in Bangladesh will have to uproot old bushes and go for clonal plantation.

The industry aims to increase production from 1,100kg a hectare to 1,500kg and a total of 85m kg by 2015, according to Mr Chowdhury. This is not too ambitions as the productivity in well-managed gardens ranges from 1,700kg a hectare to more than 2,500kg.

In addition, the industry has to introduce modern cultivation and manufacturing practices. The way workers are treated has much to do with productivity and quality improvement.

It costs Tk160,000 ($3,300) to replant a hectare. The industry can achieve this if it gets long-term finance at reasonable rates of interest, says Mr Chowdhury.

Replantation means no crop for at least three years. If good clonal material is used, 900kg a hectare will be available in the fourth year, rising to 1,700kg a hectare in the seventh year.

This is why the BTA is seeking soft loans from banks. However, what makes large-scale replantation difficult is the lack of quality planting materials. Bangladesh's Tea Research Institute, which reports to the Bangladesh Tea Board, needs restructuring.

"The BTRI has brought out quite a few high-yielding clonal varieties, but we think it will be able to do a lot more work if it is brought into the fold of the BTA," says Mr Chowdhury. He is also keen to bring in technology from India, Kenya and Sri Lanka.

The industry owns 112,464 hectares. "Of the total land with the industry, tea is grown on only 47,938 hectares. The rest is used for cultivation of coffee, rubber and other crops. At least half the land belonging to the gardens should be put under tea," says Mr Chowdhury. For historical reasons, the land has mixed cultivation.

The domestic market for tea is about 28m kg and is growing at an annual rate of more than 4 per cent.

"The domestic market holds tremendous promise," says Mr Ispahani. "Only 35 per cent of our people drink tea and per capita consumption here is 220 grams against 800 grams in India. But with rapid urbanisation, more people are drinking tea. They are ready to pay good prices for good teas."

There is a strong export demand for Bangladeshi tea but not at the right price. Laila Kabir, former chairperson of the BTA, is looking to Bangladesh's neighbours.

"India, which has a huge domestic market for tea, can help us out by allowing us to sell tea there at zero customs duty. This will leave India with more high quality tea for export."

NEWS DIGEST

AGRICULTURE

Market for organic food continues to expand

The market for organically produced food is continuing to expand and presents increasing opportunities for farmers worldwide, according to the United Nations Food and Agriculture Organisation. Organic agriculture represents 10 per cent of the food system in Austria and almost 8 per cent in Switzerland, while the sector is growing by more than 20 per cent a year in the US, France, Japan and Singapore, the organisation said yesterday. China is also showing an expanding market for "green food", produced without pesticides and fertilisers.

"Some of the developing countries have small domestic organic markets and have begun to seize the lucrative export opportunities presented by organic agriculture," the FAO said. "Some countries export tropical fruits to the European baby food industry, six African nations export cotton to the European Union, Zimbabwe exports to South Africa, and China exports tea to the Netherlands and soya-beans to Japan." **Paul Solman**

PALM OIL

Indonesia may cut export tax

Indonesia's trade and industry minister yesterday proposed lowering a crippling export tax on crude palm oil to 40 per cent, offering relief to foreign and domestic investors in oil palm plantations. "I have proposed a 40 per cent export tax for CPO to the finance minister," said Rahardi Ramelan, who also heads Bulog, the state logistics agency charged with ensuring food supplies.

Indonesia put a 60 per cent tax on crude palm oil exports last year, and 55 per cent on processed oil, to ensure cheap domestic supplies when a fall in the rupiah exchange rate encouraged exports. The tax depressed earnings of plantations that had hoped for export revenues and encouraged smuggling.

The shortage of palm oil turned into oversupply when the rupiah rebounded last autumn, but Mr Ramelan held to the tax until after Lebaran, last week's celebration following the fasting month, when consumption of cooking oil boomed. Indonesia's CPO output is estimated at only 4.8m tonnes in 1998, well below the projected 5.6m tonnes, because of a drought. **Sander Thoenes, Jakarta**

ALUMINIUM

Institute launches web site

Today, the International Primary Aluminium Institute is launching a web site: www.world-aluminium.org. Information on the site, which has cost £24,000 ($39,700) to develop, will include all the IPAI's industry data, as well as information on all aspects of aluminium – from extracting bauxite to its use in fast ferries. However, initially there will a seven-day delay between the IPAI sending information to subscribers and putting it on the site. As yet the data do not come with records allowing users to track trends, but supplementary graphics are planned. **Gillian O'Connor**

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1212-3	1217-8
[illegible]	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	288.0	+1.2	288.7	286.3	25,788	76,872
Apr	289.5	+1.1	290.5	288.2	8,158	32,211
Jun	291.0	+1.1	292.4	290.3	6,248	19,868
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	75.25	-0.75	-	-	-	10
Mar	75.25	-	75.20	75.00	189	2,648
May	76.60	-0.40	77.00	76.50	231	3,500
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Aug	133.8	-1.8	134.3	133.0	345	7,537
Sep	135.2	-1.9	135.7	134.0	417	8,007
Oct	138.1	-1.9	138.5	135.5	126	2,320
Total					21,178	128,788

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	250.0	-	-	-	-	-
Apr	322.0	+1.0	322.0	318.0	80	2,136
May	332.0	+1.0	-	-	-	-
Jun	342.0	+1.0	-	-	-	-
Nov	95.0	-	-	-	-	-
Total					80	2,136

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	850	-	850	850	17	22
Feb	850	-20	870	850	53	248
Mar	865	-15	870	865	35	125
Apr	925	-10	925	925	12	948
Jul	805	-25	800	800	1	510
Total					118	2,224

	Close	Prev
BFI	848	843

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	892	-3	897	888	6,500	52,018
May	909	-4	914	907	2,328	31,361
Jul	929	-4	935	927	621	13,468
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

May	6.92	-0.12	7.17	6.90	11,082	30,936
Jul	6.93	-0.06	7.12	6.90	5,042	30,130
Oct	7.15	-0.08	7.36	7.23	3,067	20,469
Mar	7.49	-0.09	7.65	7.48	2,541	11,011
May	7.59	-0.08	7.76	7.65	117	2,411
Total					80,048	163,651

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	57.37	-1.17	58.75	57.35	6,234	34,212
May	58.55	-1.13	59.70	58.51	1,471	16,705
Jul	59.52	-1.08	60.60	59.51	474	12,274
Oct	60.73	-1.35	62.00	60.70	107	1,532
Dec	61.76	-1.39	63.05	61.70	672	11,459
Mar	63.00	-1.43	64.30	63.15	88	1,385
Total					n/a	n/a

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	96.45	+0.20	96.50	95.00	1,508	18,011
May	97.20	+0.90	97.20	95.90	206	4,810
Jul	97.80	+0.85	97.10	96.00	53	2,828
Sep	98.20	+0.95	97.50	97.25	57	570
Nov	98.95	+0.95	-	-	40	607
Jan	99.95	+0.95	-	-	34	340
Total					n/a	n/a

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Latest Price	Day's change	High	Low	Vol	Open int
Feb	63.200	+0.050	63.425	62.900	4,727	31,283
Apr	65.300	+0.025	65.500	65.775	5,168	42,107
Jun	65.175	-0.275	65.500	64.800	1,805	21,800
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PULP AND PAPER

■ PULPEX ONLY (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	408.00	-3.00	409.50	406.00	48	542
Jun	423.35	-2.75	434.50	432.25	20	227
Total					68	828

FUTURES DATA

All futures data supplied by CMS.

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

Minor Metals from Metal Bulletin

European free market, $ per pound in warehouse (last week's prices in brackets, where changed). Antimony: 99.65%, $ per tonne, 1,340-1,400 (1,240-1,300). Bismuth: min. 99.99%, tonne lots, 2.80-3.10. Cadmium: min. 99.95%, cents a pound, 16-20. Cobalt: MB free market, min. 99.8%, 11-12.5 (7.8-9), min. 99.3%, 8.5-10 (6-7). Mercury: min. 99.99%, $ per 76 pound flask, 137-145. Molybdenum: drummed molybdic oxide, 2.60-2.70. Selenium: min. 99.5%, 1.40-2.30. Tungsten ore: 32-42. Uranium: Nuexco, unrestricted exchange value 8.85. Vanadium: min. 98%, 2.60-2.90.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jan 25	Jan 22	month ago	year ago
1457.8	1483.0		1758.50

■ CRB Futures (Base: 1967 = 100)

Jan 22	Jan 21	month ago	year ago
189.75	190.82	-	-

■ GSCI Spot (Base: 1970 = 100)

Jan 22	Jan 21	month ago	year ago
135.25	134.84	129.06	168.84

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+15,150	to	791,875
Aluminium alloy	-560	to	98,240
Copper	+7,450	to	623,325
Lead	-	to	105,950
Nickel	-72	to	65,460
Zinc	-1,175	to	317,125
Tin	-200	to	7,570

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

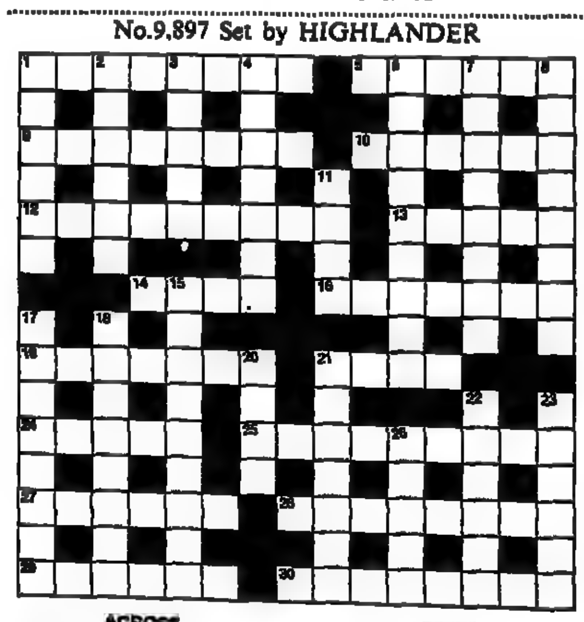
[illegible]

JOTTER PAD

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

CROSSWORD

No.9,897 Set by HIGHLANDER



ACROSS

1 Flight of steps is way in front of ventilation passage (8)
5 Suit chosen for first team rugby members (6)
9 An eruption in which higher placed explosive reversed lava flow (8)
10 Build up a boat race eight by word of mouth (6)
12 Lion eats MP. Hard cheese? Definitely not (9)
13 Publish promotional activity in time (5)
14 Extremely light (4)
16 Military man's secret (7)
19 For example lifts non-starting self-centred ones (7)
21 May sink a ship but there's an abundant supply (4)
24 Limits where shooting can be practised in the hills (5)
25 Original toll on A1 (5-4)
27 It stops Rugby being a negative team (2-4)
28 Standard means fresh cheese (8)
29 European country with no one in need of food (6)
30 Kiss and cuddle in old canoe when at sea (8)

DOWN

1 University has to cut outside drainage system (6)
2 At ease, like Man. U. at Old Trafford (2,4)
3 Country where almost certainly insurance will cover it (5)
4 Bill made off, unknown to school (7)
6 Do use formal greeting ceremony (9)
7 Almond paste reportedly ruins one cooking vessel (8)
8 Flower, pudding and vegetable (5,3)
11 Half of that work is over (4)
15 A capital fellow in a rough sea with a small boat (4-5)
17 Reduce engineers on excavation (8)
18 Mysterious events could be leaving child behind (6-2)
20 Peter's out of danger (4)
21 Wine unfortunately is going up following blight (7)
22 Old-fashioned daughter got through exam (6)
23 Spiritualist meeting brings John from Ireland to the church (6)
26 Time to find work, joined up (5)

Solution to Saturday's prize puzzle on Saturday February 6.
Solution to yesterday's prize puzzle on Monday February 8.

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BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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NEWS DIGEST

AGRICULTURE

Market for organic food continues to expand

PALM OIL

Indonesia may cut export tax

ALUMINIUM

Institute launches web site

JOTTER PAD

CROSSWORD

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JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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هكذا من الأصل

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Continued

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Continued

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL, EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

AIM - Continued

GUIDE TO LONDON SHARE SERVICE

Figures or report awaited

Rule 2.1(4)(a) Overseas incorporated companies listed on an approved exchange

♣ Free annual/interim report available, see details below.

Rule 4.2(a) Irish incorporated non-listed companies

Price at time of suspension

Indicated dividend yield after pending scrip and/or rights issue

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LONDON STOCK EXCHANGE

Yo-yo day leaves equities spinning a touch higher

MARKET REPORT

By Peter John

The London market has known about the yo-yo craze for some time – and cottoned on to it fully yesterday.

There was a quick spinshot in the morning as the FTSE 100 index was flung down 111 points to its low of 5,749 half an hour after the official start of trading.

A flick of the wrist took it back up towards 5,800 and then there was some walking-the-dog around that level. After that, a mid-morning waterfall-climb took it back towards the opening level and then some more.

"It has been a remarkable day around here with some interesting price action," said Paul O'Connor, strategist at CSFB.

"It started with plenty of excuses for us to go lower and it is very telling the way it resisted those excuses. What it tells you is the extent of liquidity in London," he added.

The final tally saw Footsie close 19.7 higher at 5,880.9 while the FTSE 250 rose 6.1 to 4,835.2 and the SmallCap dipped 1.7 to 2,091.4.

Dealers had arrived at work with their bearskins on. There had been a sharp fall in the Dow Jones Industrial Average on Friday and concerns about Brazil.

There were worries that China might consider floating the yuan and thus unsettle the Pacific Rim economies again.

And, finally, the UK market was domestically overshadowed by the prospect of a governmental review of banking practices.

Footsie had failed to scale new heights and dealing desk heads predicted it would go the other way and break through lower chart support levels.

However, the steady buying of equities and bonds which took the yield on the 10-year issues to the lowest level since the mid-1950s – that kicked in during the morning reflected the huge weight of institutional cash looking for a home and the prospect of more to come.

Mr O'Connor said pension funds hold 6.7 per cent of their funds in cash, the highest level since the early 1990s when interest rates were above 12 per cent and holding cash was much more worthwhile.

He calculates that life and pension funds have £55bn in cash swilling around and need to put at least £20bn back into the market to get back on an even keel.

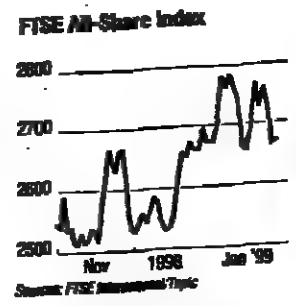
And although CSFB only has an end-of-year target of 6,200 for the Footsie, the investment bank expects a rush of money into the market within the next couple of months as private investors take the last opportunity to buy Peps, companies buy back shares after the abolition of advance corporation tax and as interest rates continue to fall.

In addition, the recent spate of high-value mergers have left institutions underweight in three of the Footsie's most highly valued stocks – BP, Vodafone and Zeneca – and the top six UK stocks represent 30 per cent of the blue-chip index.

All this ensures that UK funds are being forced into the market while overseas buyers are attracted to a market that is seen as the European safe haven and a strong convergency play.

The market's volatility ensured strong turnover of 937.2m shares with almost 60 per cent in non-Footsie stocks.

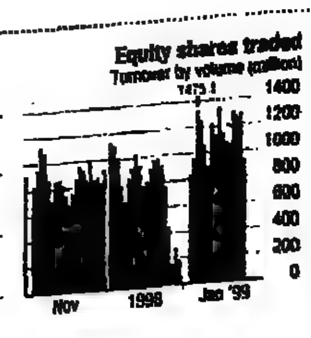
FTSE All-Share index



Source: FTSE International/Topic

Equity shares traded

Turnover by volume (million)



Indices and ratios

FTSE 100	5880.9	19.7
FTSE 250	4835.2	6.1
FTSE 350	2770.0	8.4
FTSE All-Share	2672.98	7.63
FTSE All-Share yield	2.93	2.94

FT 30	3449.?	24.8
FTSE Non-Fins p/e	23.3?	23.7
FTSE 100 Fut Mar	5905.0	65.0
10 yr Gilt yield	4.33	4.33
Long gilt/equity yld ratio	1.42	1.51

Best performing sectors

1	Engineering: Vehicles	5.2
2	Distributors	2.1
3	Oil Exploration	2.0
4	Insurance	1.9
5	Extractive Industries	1.9

Worst performing sectors

1	Banks: Retail	-1.6
2	Electricity	-1.2
3	Other Financial	-1.1
4	Utilities	-0.?
5	Retailers: General	-0.?

Orange support for BAe

COMPANIES REPORT

By Martin Brice and Joel Kibazo

British Aerospace was supported by the clearest signal so far that it is considering the sale of its remaining 5 per cent stake in Orange, the telecoms company. The sale is expected to be made to ease the burden of its merger with GEC's Marconi business.

Yesterday, the company started a round of meetings with institutional investors to explain details of its plans for the merger, and told them that a sale of the remaining 60m shares could raise £530m.

A sale of the Orange stake would take advantage of the strong rise in the stock, which has outperformed the FTSE 100 by 160 per cent since flotation in 1996. Orange reached £10.75 a week ago, powered by recent strength in the telecommunications sector. Yesterday it closed up 3½ at 874p, more than four times its flotation price.

BAe shares suffered last week in the wake of the announcement of the Marconi deal, and on Friday closed at 419½p, their lowest since October. However, the shares yesterday benefited from positive comments from joint house brokers ABN Amro and Dresdner Kleinwort Benson, and closed up 8 at 427½p. GEC was ahead 10½ at 557p.

Bid speculation drove media company Mirror Group 9 ahead to 307p as the market awaited the outcome of a bitter boardroom tussle at the company.

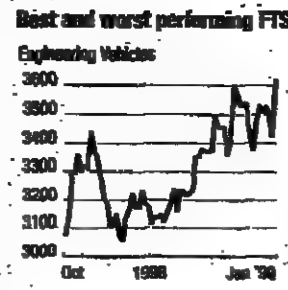
Fears of a devaluation in China, broker downgrades, and the launch of a government review into banking practices cast a shadow over the banking sector.

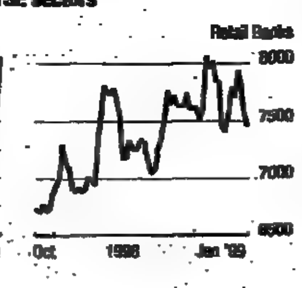
With the sector accounting for nearly 19 per cent of the FTSE 100, the decline helped to check an otherwise strong advance of the Footsie. Royal Bank of Scotland was the day's biggest casualty, the shares tumbling 47 or 4.38 per cent to £10.25½ after Credit Lyonnais, one of the group's two joint brokers, downgraded its recommendation on the stock.

While remaining positive on RBoS, Lyonnais moved its stance to "add" from "buy" for valuation reasons and to reflect its more cautious view on the sector as a whole.

"While Royal Bank of Scotland remains our favourite banking stock, we anticipate that current levels of performance will moderate."

Best and worst performing FTSE sectors





Source: Datastream/ICV

In the rest of the sector, emerging market jitters over China and Brazil also exacted a toll on sentiment in the sector, as did the launch of a government review on competition in among UK retail banks.

National Westminster declined 38 to £11.10, HSBC 43 to £16.06, Bank of Scotland 20½ to 779p and Lloyds TSB 16 to 794p.

Bid rumours around Allied Irish Banks made it one of two stocks to buck the sector trend. The shares ended 16½ ahead at £12.21½ while Bank of Ireland rose 14½ up at £13.99.

The latest round of reports that Federal-Mogul of the US was eyeing LucasVarity prompted the UK engineering group to achieve the best performance in the FTSE 100, rising almost 14 per cent in brisk trade of 8.3m.

The rise of 29½ to 244p came ahead of an announcement after the market had closed that Federal-Mogul was considering a proposal to offer a mixture of cash and paper worth 280p a share for LucasVarity.

Federal-Mogul also said that Dick Snell, its chairman and chief executive, had met both Ed Wallis, chairman of LucasVarity, and Victor Rice, its chief executive.

The only formal statement from LucasVarity said that discussions were continuing with "a number of companies in connection with a wide range of strategic alternatives".

Analysts suggested any bid for LucasVarity might be well received, with US-based shareholders happy to take shares in Federal-Mogul. UK institutions recently blocked a transfer of domicile to the US. One trader said: "The UK shareholders may have run out of patience, and it might not take a lot to shake them out."

National Grid slips

Talk that National Grid is about to return to the acquisition trail with another purchase in the US left the shares trailing 19 to 494½p, one of the worst performances in the FTSE 100.

Last week National Grid announced its intention to reduce its stake in its telecoms subsidiary Energis to 48.7 per cent from 74.3 per cent through an offering of shares and bonds. The deal is expected to bring in more than £1bn. WestLB Panmure is a buyer of the stock up to 600p. Energis fell 27½ to £15.72½ on profit-taking.

Buyers returned to many of the telecom stocks yesterday helping to send them sharply ahead. BT improved 14½ to 949½p, and Telewest Communications jumped 23½ to 250½p.

Although selling continued in Cable and Wireless, the shares declining 7½ to 849p, it was the opposite for Cable & Wireless Communications, cable television group.

The shares hardened 27½ to 780p after Morgan Stanley Dean Witter recommended them. The broker increased its share price target for CWC from 650p to 850p.

Among mobile operators, Vodafone Group appreciated 22 to £11.47¼.

Bid speculation continued to surround House of Fraser, the shares gaining 8 to 92p.

Marks and Spencer rose 4½ to 337¼p. However, worries over the dividend emerged late in the day, prompting fears of a sharp decline in the stock.

Vehicle engineer Adwest Automotive said it was in advanced talks on an offer at 150p a share in cash, and the shares gained 82 per cent or 60½ to 134p.

In properties, Commerzbank yesterday upgraded three stocks in the sector. The bank favours Burford Holdings, which appreciated 3 to 85½p, saying the stock has the "potential to show 15 to 20 per cent total returns over the next 12 months".

There was little change in Great Portland, another favoured stock, the shares edging up ½ to 179½p, but MEPC fell 8 to 382p in spite of the recommendation.

The 200p bid launched on Friday by Amey for Servisair, the airline industry support services group, prompted heavy institutional activity. Framlington, the US investor, said it had bought 500,000 shares at an average price of 216.8p.

The seller was thought to be Mercury Asset Management. Servisair maintained its premium to the 200p offer, closing at 216p, down 1½. Amey was 5 off at 610p.

FT 30 INDEX

	Jan 25	Jan 22	Jan 21	Jan 20	Jan 19	Yr ago	*High	*Low
FT 30	3448.7	3423.9	3492.2	3514.2	3490.5	3265.9	4004.9	2780.6
Ord. div. yield	2.98	2.99	2.93	2.904	2.94	3.35	4.22	2.72
P/E ratio net	22.53	22.40	22.91	23.084	22.84	21.14	25.41	15.80
P/E ratio nil	22.43	22.31	22.82	22.989	22.74	20.86	[illegible]	[illegible]

FT 30 since compilation: high 4004.9 7/15/98; low 49.4 6/26/40. Base Date: 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3423.8	3404.4	3415.8	3434.3	3428.6	3438.5	3450.7	3452.9	3464.9	3382.5

STOCK MARKET TRADING DATA

	Jan 25	Jan 22	Jan 21	Jan 20	Jan 19	Yr ago
SEAQ bargains	68,851	71,841	80,028	81,829	82,095	85,374
Equity turnover (£m)†	-	5079.3	4871.5	5138.7	4725.5	2532.8
Equity bargains†	-	63,726	66,244	70,439	68,982	44,601
Shares traded (m)†	-	1162.4	1108.1	1094.9	957.0	729.1
Total market bargains‡	-	75,429	73,990	82,883	[illegible]	-
Total turnover (£m)‡	-	[illegible]	6096.0	6377.1	5903.0	-
Total shrs traded (m)‡	937.2*	1420.8	1329.6	1319.7	[illegible]	-
Tradepoint turnover (£m)	29.7	35.0	66.0	43.3	32.4	29.3
Tradepoint shrs traded(m)	9.2	15.9	28.8	10.5	10.0	9.7

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	653	Total Highs	29	Total contracts	30,644
Total Falls	825	Total Lows	63	Calls	12,275
Same	1,419			Puts	18,369

Jan 25 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5760.0	5905.0	+65.0	5925.0	5755.0	23559	165937
Jun	-	5943.0	+65.0	-	-	0	15469
Sep	-	5986.0	+65.0	-	-	0	1100

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

[illegible]

■ FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to the London Share Service notes.

FTSE GOLD MINES INDEX

	Jan 22	% chg on day	Jan 21	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (2?)	[illegible]	-1.6	982.57	1021.58	1.85	971.94	1361.57	701.58
■ Regional Indices								
Africa (6)	1054.54	-0.5	1060.10	1133.82	3.67	[illegible]	1488.04	765.63
Australasia (8)	[illegible]	-1.2	1210.33	1182.01	2.54	1206.50	1602.53	515.93
Americas (11)	902.64	[illegible]	923.27	872.10	0.83	904.73	1317.41	647.68

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

[illegible]

■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

[illegible]

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

[illegible]

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Jan 25) 1 € = 13.76030 Sch

BELGIUM/LUX (Jan 25) 1 € = 40.33990 Frs.

FINLAND (Jan 25) 1 € = 5.94573 Mka

FRANCE (Jan 25) 1 € = 6.55957 Fr.

GERMANY (Jan 25) 1 € = 1.95583 Dm.

IRELAND (Jan 25) 1 € = 0.78756 Punt

ITALY (Jan 25) 1 € = 1936.27000 Lire

NETHERLANDS (Jan 25) 1 € = 2.20371 Fl.

PORTUGAL (Jan 25) 1 € = 200.48200 Esc.

SPAIN (Jan 25) 1 € = 166.38600 Pts.

EUROPE (NON-EMU)

CZECH REP (Jan 25 / Korunas)

DENMARK (Jan 25 / Kr)

GREECE (Jan 25 / Drachmas)

NORWAY (Jan 25 / Kroner)

POLAND (Jan 25 / Zloty)

SWEDEN (Jan 25 / Kronor)

SWITZERLAND (Jan 25 / Frs.)

TURKEY (Jan 25 / Tk Lira)

PACIFIC

JAPAN (Jan 25 / Yen)

AUSTRALIA (Jan 25 / Aus$)

HONG KONG (Jan 25 / H.K.$)

INDONESIA (Jan 25 / Rupiah)

MALAYSIA (Jan 25 / MYR)

NEW ZEALAND (Jan 25 / NZ $)

SINGAPORE (Jan 25 / S$)

SOUTH KOREA (Jan 25 / Won)

TAIWAN (Jan 25 / TW $)

THAILAND (Jan 25 / Baht)

AMERICAS

CANADA

TORONTO (Jan 25 / Can $)

4 pm close

MONTREAL (Jan 25 / Can $)

4 pm close

MEXICO (Jan 25 / Peso)

12.30 pm

AFRICA

SOUTH AFRICA (Jan 25 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 22 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY JANUARY 21 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	208.23	-1.4	186.62	150.21	207.02	218.57	-0.3	3.36	211.08	189.47	151.05	209.85	219.22	219.06	163.86	190.37
Austria (21)	165.27	-3.2	148.12	119.23	144.99	144.99	-3.2	2.40	170.70	153.21	122.15	149.73	149.73	253.73	165.27	191.80
Belgium (22)	409.04	-1.8	366.59	295.08	351.34	351.34	-1.7	1.92	416.34	373.68	297.92	357.56	357.56	446.95	289.71	283.71
Brazil (32)	98.52	-2.2	88.30	71.07	97.95	306.48	-2.2	2.95	100.70	90.39	72.06	100.11	313.27	289.34	89.32	222.60
Canada (116)	205.48	-0.8	184.15	148.23	204.29	226.15	-0.6	1.74	207.12	185.90	148.21	205.90	227.44	248.78	159.94	200.51
Denmark (34)	489.51	-1.1	438.71	353.13	486.66	427.50	-1.1	1.84	494.89	444.19	354.14	491.98	432.09	607.33	420.12	450.42
Finland (29)	624.17	-4.1	559.39	450.27	672.45	672.45	-4.1	1.49	651.11	584.41	465.92	701.39	701.39	661.25	291.57	294.02
France (75)	325.77	-3.0	291.97	235.01	289.42	289.42	-3.0	2.17	335.71	301.32	240.23	298.21	298.21	354.45	237.48	237.48
Germany (55)	275.97	-2.5	247.33	199.08	242.27	242.27	-2.5	1.34	283.01	254.02	202.52	248.43	248.43	325.61	226.36	227.83
Greece (36)	382.31	-0.5	342.64	275.80	380.10	782.35	-0.7	1.11	384.25	344.88	274.96	381.96	787.73	388.53	211.47	–
Hong Kong, China (67)	290.37	-3.6	260.24	209.47	288.69	288.68	-3.6	4.24	301.37	270.50	215.65	299.59	299.79	382.55	196.64	282.10
Indonesia (26)	43.43	-2.8	38.92	31.33	43.18	238.44	0.0	1.28	44.68	40.10	31.97	44.41	238.44	84.52	19.04	32.33
Ireland (16)	572.13	-2.0	512.75	412.73	548.18	548.18	-2.0	1.78	584.00	524.17	417.90	559.49	559.49	605.85	398.15	413.78
Italy (53)	169.13	-2.3	151.58	122.01	211.17	211.17	-2.3	1.32	173.16	155.42	123.91	216.17	216.17	192.64	126.91	127.78
Japan (445)	100.21	-1.8	89.81	72.29	99.63	72.29	-0.8	1.03	101.79	91.37	72.84	101.19	72.84	109.73	76.83	101.92
Mexico (29)	1040.98	0.4	932.95	750.96	1034.96	11609.20	-0.6	2.21	1036.40	930.23	741.63	1030.29	11682.77	1733.73	787.15	1542.07
Netherlands (26)	497.45	-4.5	445.82	358.86	431.99	431.99	-4.5	2.19	521.11	467.72	372.89	452.48	452.48	582.73	394.92	412.07
New Zealand (18)	64.82	-2.2	58.10	46.76	64.45	64.04	-1.4	4.56	66.30	59.51	47.44	65.91	64.97	77.84	45.88	74.80
Norway (37)	231.32	-1.2	207.31	166.87	229.98	233.88	-1.1	2.46	234.22	210.23	167.60	232.84	236.37	357.71	181.86	295.42
Philippines (22)	90.90	-4.9	81.46	65.57	90.37	175.08	-3.7	0.84	95.61	85.82	68.42	95.05	181.78	106.98	42.48	68.43
Portugal (18)	267.48	-1.9	239.72	192.96	316.90	316.90	-1.8	1.04	272.52	244.60	195.01	322.84	322.84	299.39	184.13	–
Singapore (41)	220.22	-2.3	197.37	158.87	218.95	170.44	-1.8	1.67	225.31	202.23	161.23	223.98	173.60	248.74	102.45	175.01
South Africa (38)	185.95	-0.6	166.66	134.15	184.88	244.88	-1.4	3.87	187.51	168.30	134.18	186.41	248.47	346.20	151.55	254.19
Spain (30)	386.93	-3.2	346.77	279.13	421.10	421.10	-3.2	1.93	399.81	358.85	286.09	435.07	435.07	435.19	280.81	282.76
Sweden (44)	522.61	-1.6	468.37	377.01	519.59	598.20	-1.7	1.91	531.32	476.89	380.20	528.18	608.50	628.19	379.18	488.01
Switzerland (30)	406.82	-1.0	364.60	293.48	404.47	348.51	-1.3	1.23	411.02	368.91	294.12	408.60	352.97	441.85	307.73	343.28
Thailand (34)	24.48	-6.0	21.94	17.66	24.34	35.03	-5.1	2.70	26.06	23.39	18.64	25.90	36.91	33.84	8.15	20.58
United Kingdom (207)	374.97	-2.4	336.05	270.50	372.80	338.05	-2.5	2.93	384.04	344.70	274.81	381.78	344.70	401.84	307.90	338.68
USA (616)	505.14	-0.8	452.71	364.40	502.21	505.14	-0.8	1.29	508.94	456.80	364.19	505.94	508.94	525.31	390.12	392.84
Americas (792)	448.08	-0.8	401.58	323.24	445.49	380.43	-0.8	1.32	451.48	405.21	323.06	448.80	383.28	466.38	347.58	355.57
Europe (733)	355.55	-2.5	318.65	256.49	353.50	323.52	-2.6	2.09	364.63	327.27	260.92	362.48	332.01	386.24	282.63	283.73
Eurobloc (345)	103.46	-3.0	92.72	74.63	98.30	98.30	-3.0	1.76	106.63	95.70	76.30	101.30	101.30	113.92	81.53	–
Nordic (144)	507.93	-2.2	455.22	366.42	505.00	502.19	-2.2	1.79	519.47	466.25	371.72	516.41	513.64	555.97	380.04	413.06
Pacific Basin (729)	107.84	-1.8	96.65	77.80	107.22	80.88	-1.0	1.85	109.76	98.52	78.54	109.11	81.68	119.48	82.88	108.64
Euro-Pacific (1462)	210.79	-2.3	188.92	152.06	209.57	172.01	-2.1	1.94	215.70	193.60	154.35	214.43	175.71	221.79	186.00	185.84
North America (731)	484.91	-0.8	434.58	349.81	482.10	485.98	-0.7	1.31	488.57	438.51	349.61	485.68	489.56	504.30	374.92	380.51
Europe Ex. UK (526)	333.51	-2.5	298.90	240.59	331.58	307.55	-2.6	1.68	342.24	307.18	244.90	340.22	315.70	368.32	280.93	283.11
Europe Ex. Eurobloc (388)	96.45	-2.0	86.44	69.58	95.90	95.31	-2.1	2.45	98.30	88.31	70.41	97.81	97.38	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (181)	98.41	-1.1	88.19	70.99	97.84	93.52	-1.3	1.45	99.55	89.35	71.24	98.97	94.76	109.21	75.16	–
Pacific Ex. Japan (284)	181.95	-2.5	163.06	131.26	180.89	185.55	-1.9	3.53	186.57	167.46	133.51	185.47	189.07	218.04	128.28	178.71
World Ex. Eurobloc (1947)	104.34	-1.1	105.09	89.50	103.74	102.64	-1.0	1.57	105.53	106.45	89.79	104.91	103.72	108.05	83.08	–
World Ex. US (1677)	209.74	-2.2	187.97	151.30	208.52	178.82	-2.0	1.95	214.43	192.46	153.44	213.16	180.48	221.91	165.95	188.57
World Ex. UK (2085)	298.21	-1.3	267.27	215.13	296.49	265.30	-1.2	1.45	302.21	271.25	218.25	300.43	268.57	311.48	238.11	246.41
World Ex. Japan (1847)	406.70	-1.4	364.49	293.39	404.35	395.94	-1.4	1.87	412.54	370.27	295.20	410.10	401.64	427.90	320.58	330.84
The World Index (2292)	304.85	-1.4	273.21	219.92	303.09	271.88	-1.4	1.80	309.27	277.58	221.31	307.45	275.81	318.51	242.30	254.22

Emerging markets: IFC Investable indices

Dollar terms

Jan 22 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	701.48	+0.1	-12.1
Brazil	204.30	-1.9	-25.7
Chile	415.25	+0.2	-8.0
Colombia[1]	383.60	-0.1	-12.7
Mexico	441.36	+0.4	-8.3
Peru[2]	128.49	-1.7	-4.4
Venezuela[3]	367.51	-2.4	-18.9
East Asia			
China[4]	22.47	-3.5	-14.2
India[7]	88.24	-0.9	+7.9
Indonesia[4]	21.58	-2.8	-10.9
Korea[5]	91.37	-5.7	-3.1
Malaysia	87.58	+1.1	+10.2
Pakistan[6]	89.19	-0.4	-5.7
Philippines	124.02	-5.2	+0.7
Sri Lanka[10]	79.14	+0.3	-3.9
Taiwan, China[8]	115.00	-1.8	-0.6
Thailand	88.06	-3.8	+4.8
Europe			
Czech Rep	49.74	-1.4	-2.0
Greece	880.12	-0.8	+9.8
Hungary[11]	283.36	-3.3	+1.0
Poland[12]	544.05	-8.5	+3.9
Portugal	305.31	-1.8	+4.5
Russia	22.55	-4.2	-3.8
Slovakia	43.57	+0.1	-0.1
Turkey[13]	138.00	+0.6	-7.1
Mideast/Africa			
Egypt	71.71		+11.2
Israel	104.83	-0.0	+2.8
Jordan	222.40		+2.7
Morocco	175.73	+0.5	+4.8
S Africa[14]	128.48	-1.4	+1.0
Zimbabwe[15]	101.06	+1.7	-3.5
Regions			
Composite	178.52	-1.7	-4.4
Latin America	358.81	-0.5	-14.5
Asia	104.58	-3.8	-2.3
EMEA	117.70	-1.3	+3.0
Europe	155.42	-1.5	+3.8
Easta Europe	58.49	-3.9	+0.8
ME & Africa	54.74	-1.0	+2.1
Comp + Malay	183.05	-1.5	-3.4
Asia + Malay	108.38	-2.6	+0.3

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 30 1995; (9)Mar 1 1991. (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)May 2 1996; (16) July 2 1992.

Latest indices were unavailable for this edition.

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4 pm close January 25

NEW YORK STOCK EXCHANGE PRICES

- A -

[illegible]

- B -

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- C -

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- D -

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Price data supplied by Extel, part of FT information

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial. d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. # Dealings suspended.

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The IN.SECTS - pan European equity sector indices from EuroBench® - contain only those liquid stocks that show strong sectoral behaviour in their price-movements. Therefore, the indices really represent the core sector trend. Using the correlation of each constituent with the sector trend to weight the constituents, an even weighting is achieved ensuring maximal diversification while offering the best sector tracking available. (Values preceded with IK = Indicative).

Sector			SETT 25-01-1999	Close 25-01-1999	Previous 22-01-1999	Change on day	% Change	52 week high	52 week low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EuroBench is an independent index provider based in Brussels. Full information on the IN.SECTS and EuroBench is available on WWW.EURO-INSECTS.COM and WWW.EUROBENCH.COM. A free daily Email service can be subscribed to. For hard copy information and professional and private investor brochures call + 32 2 509 9460 or fax + 32 2 509 1399

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jan 25	Jan 22	Jan 21	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9203.32	9120.67	9264.08	9643.32 (8/1/99)	7539.07 (31/8/98)	9643.32 (8/1/99)	41.22 (8/7/32)
Home Bonds	106.52	106.49	106.40	107.17 (9/12/98)	104.42 (11/5/98)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3112.97	3063.80	3094.51	3686.02 (16/4/98)	2345.00 (8/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	308.61	308.73	308.99	320.51 (8/10/98)	262.66 (9/1/98)	328.61 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high (a) (9298.31) Low (a) (9098.88) (Theoretical)
Day's high 9283.86(9284.59) Low 9063.25 (9096.49) (Actual)

Standard and Poors	Jan 25	Jan 22	Jan 21	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1233.98	1225.19	1235.16	1275.09 (8/1/99)	927.69 (9/1/98)	1275.09 (8/1/99)	4.40 (1/6/32)
Industrials¶	1486.60	1479.02	1489.81	1530.43 (8/1/99)	1077.40 (8/1/98)	1530.51 (8/1/99)	3.62 (30/6/32)
Financial¶	129.96	128.37	130.27	147.98 (14/7/98)	95.80 (8/10/98)	147.98 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	586.06	583.75	588.03	611.98 (8/1/99)	477.28 (8/10/98)	611.98 (8/1/99)	4.84 (25/4/42)
Amex Comp	705.01	704.69	704.89	753.87 (22/4/98)	583.75 (8/10/98)	753.87 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	2369.31	2338.88	2344.72	2415.49 (20/1/99)	1419.12 (8/10/98)	2415.49 (20/1/99)	54.87 (3/10/74)
Russell 2000	422.11	422.44	424.05	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Jan 22	Jan 15	Jan 8	Year ago
Dow Jones Ind. Div. Yield	1.67	1.64	1.58	1.79
	Jan 20	Jan 13	Jan 6	Year ago
S & P Ind. Div. yield	1.12	1.14	1.11	1.47
S & P Ind. P/E ratio	39.90	37.95	39.11	26.31

US DATA

MARKET ACTIVITY

Volume (million)	Jan 25	Jan 22	Jan 21
NYSE	726.044	785.910	870.405
Amex	22.833	24.108	25.281
NASDAQ	760.975	1020.58	1087.95

NYSE	Jan 23	Jan 22	Jan 21
Issues Traded	3,531	3,540	3,553
Rises	1,442	1,226	1,130
Falls	1,517	1,818	1,938
Unchanged	572	496	485
New Highs	39	24	52
New Lows	58	63	56

NYSE TRADING ACTIVITY — Volume : 726,044,330

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
IBM	11,229,100	180⅝	+1¾
AT&T	10,702,500	80¾	+1⅝
Compaq	8,701,700	48⅝	+⅛
Citigrp	8,651,200	53⅞	+1⅛
AmOnLine	8,383,900	145	+4⅛
BellSth	7,717,000	42½	−5⅜
LucentTch	7,561,300	102	−1⅞
Lilly	6,888,800	88¾	+6⅞
Merck	6,698,500	137	−6
Cendant	6,041,800	20½	+1⅜

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Jenkins	18	+2⅛	+12.9
Drug Prods	34	+3⅝	+11.5
StandPacH	14⅝	+1⅞	+10.8
LSI Lg	23⅝	+2⅛	+10.3
Downs			
Robert Hal	38⅝	−8⅝	−18.4
Barry(RG)	10⅞	−1⅝	−12.9
BellSth	42⅛	−5⅜	−11.8
DVI	13⅝	−1⅝	−11.4

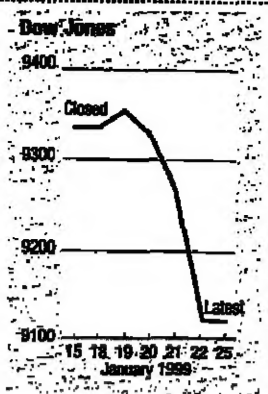
NASDAQ TRADING ACTIVITY — Volume :873,354,843

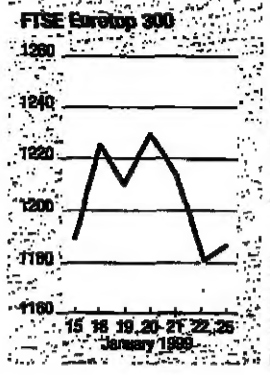
ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Micsft	25,420,000	161⅞	+5⅝
Intel	14,549,300	130¾	+1¾
Amz.com	13,600,800	112¾	−10⅝
Ciena Cp	11,982,600	20⅞	−2⅝
CiscoSys	11,458,700	103⅞	+⅝
DellComp	11,264,200	84⅞	+1⅞
AgriBiotec	9,912,100	8⅞	−3⅛
MCIWcm	9,765,100	77⅞	+2⅞
AscendCom	8,408,800	78⅞	−⅛
BMC Softw	6,680,300	45⅞	+1⅝

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Childrs	34½	+5⅝	+28.5
NTL Inc	79¾	+12⅞	+17.8
CrabTch	28½	+3⅞	+14.5
ADCTel	40⅞	+4⅞	+13.8
Downs			
Imax Cp	25⅞	−6⅞	−20.3
InfMngR	24⅞	−4⅞	−15.1
RoslynBc	18⅝	−2⅝	−12.4
UtdNtS	28⅛	−3⅝	−11.7





JAPAN

	Jan 25	Jan 22	Jan 21	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	14208.81	14154.40	14245.42	17264.3	12880	38915.9	85.25

Day's high: 14251.68. Day's low: 14070.35.

TOKYO TRADING ACTIVITY — Volume : 388,160,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Hasako	18,214,000	36	+6
NissAlt	14,776,000	449	+19
Shok.It	9,870,000	75	+24
BTekM	9,589,000	1354	−16
FujiBk	8,707,000	600	+13
NpStl	7,983,000	204	+7
SumiTrB	6,690,000	282	−6
Tshiba	6,409,000	748	−4
SumBnk	5,838,000	1395	−30
NEC	5,530,000	1114	−14

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Shok.It	75	+24	+47.1
Tegaml	179	+50	+38.8
Hasako	36	+6	+20
AoldCp	47	+5	+11.9
Downs			
YmahaC	1140	−141	−11.0
NisDsl	213	−16	−7.0
TDK	8860	−660	−6.8
AndoCo	174	−12	−6.5

FRANCE

	Jan 25	Jan 22	Jan 21	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	4050.80	4019.33	4154.03	4388.48	2862.54	4388.48	984.61

Day's high: 4058.96. Day's low: 3972.82.

PARIS TRADING ACTIVITY — Volume : 449,250,129

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
FrTele	2,495,109	80.75	+1.5
Usinor	1,421,233	10.02	−0.19
Axa	778,507	124.5	+1.5
RhonPA	763,859	42.9	−0.85
Alctel	699,949	97.9	+3.8
VivndI	697,108	248	−3
TotalB	654,353	90	+0.85
ElfAqu	588,581	100	+4.9
BNP	578,945	78	+1
Schndr	471,172	45.7	+0.2

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Cimenz	45.34	+3.14	+7.4
Rhodia	11.3	+0.78	+7.4
CdLyCr	37	+2.5	+7.2
Damart	88.1	+4	+6.2
Downs			
Pathe	288	−32	−10
BIC	45.1	−2.8	−5.8
SodxAl	164.2	−9.1	−5.3
Equant	60	−3.1	−4.9

GERMANY

	Jan 25	Jan 22	Jan 21	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DAX	4982.45	5019.28	5158.57	6171.43	3896.08	6171.43	931.18

Day's high: 5017.78. Day's low: 4900.88.

FRANKFURT TRADING ACTIVITY — Volume : 8,927,832

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
DresdBk	365,551	34	+0.1
DaimCh	354,938	87.5	−2
Dgossa	330,363	38.7	−2.8
Dt Bk	308,075	46.65	−0.25
BASF	277,875	32.27	−0.33
Siemns	268,843	56.35	+1.35
Lufthn	255,013	18.95	−0.15
Bayer	252,558	32.15	−0.6
Comzbk	250,144	26.4	+0.6
Dt Tel	221,758	35.8	−0.7

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
BilfBg	18	+1.4	+8.4
Dt Bab	47.5	+2.5	+5.6
GEA Pf	19.5	+1	+5.4
SAP	297	+15	+5.3
Downs			
Dgossa	38.7	−2.8	−6.7
CollKnz	94	−5	−5.1
ZxPpap	57	−3	−5
HaSDVk	49.5	−2.5	−4.8

UK

	Jan 25	Jan 22	Jan 21	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
FTSE 100	5880.9	5861.2	6022.3	6179	4648.7	6179	986.9

Day's high: 5905.8. Day's low: 5749.3.

LONDON TRADING ACTIVITY — Volume : 897,200,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Sears	82,394,710	358½	+½
Fortune	34,586,700	2¼	+¼
Rage Softwr	28,644,720	14½	+2½
TeleWest	23,954,550	250¼	+23½
Pilkington	22,882,530	50¾	−2½
GEC	18,054,580	557	+10¾
London Intl	18,335,048	163½	+35
Slebs	15,983,990	188¾	+½
Anglian Wr B	14,588,010	52	
Shell	13,722,050	325	−2¼

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Adwest Auto	134	+60½	+82.3
Peptide Th	116½	+35½	+43.8
Greenline	100	+26	+35.1
On-Line	127½	+30	+30.8
Gen Int Media	51½	+11½	+28.8
London Intl	163½	+35	+27.2
Downs			
Dllm Dev Tst	10½	−5	−32.3
Lady of Lole	95	−25½	−22.5

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	1230.80	1243.50	+11.50	1244.00	1224.20	99,366	391,687
Jun	1249.50	1255.20	+11.70	1258.50	1237.50	99	7,379

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	14140.0	14150.0	+20.0	14270.0	14070.0	23,568	190,305
Jun	14070.0	14140.0	+10.0	14140.0	14000.0	80	30,172

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Jan	4021.0	4030.0	−8.0	4059.0	3960.0	90,034	92,929
Feb	4007.5	4040.0	−5.5	4064.0	3981.5	28,626	8,200

DAX	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Mar	4950.0	4992.0	−34.0	5045.0	4896.0	47,463	160,706
Jun	4970.0	5018.0	−17.0	5070.0	4950.0	2,489	34,208

DBIX	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Jan	–	–	–	–	–	–	–
Feb	690.00	697.50	+3.50	699.00	688.00	18,458	155,393

EUREX	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Mar	6941.0	7100.0	+52.0	7108.0	6921.0	25,177	128,644
Jun	6967.0	7044.0	+8.0	7052.0	6967.0	200	3,799

WORLD MARKETS AT A GLANCE

Country	Index	Jan 25	Jan 22	Jan 21	1998/99 High	1998/99 Low	Yield	P/E
Argentina	General	15332.44	15336.06	15359.59	23485.50 23/3/98	12302.19 10/9/98	4.69	10.9
Australia	All Ordinaries	2827.9	2848.4	2882.0	2897.30 7/1/99	2458.28 1/9/98	3.07	22.3
	All Mining	569.0	576.0	581.3	713.10 23/4/98	499.80 31/8/98		

Broadly lower with bonds and weak local dollar. However, activity was subdued ahead of today's holiday.

Country	Index	Jan 25	Jan 22	Jan 21	1998/99 High	1998/99 Low	Yield	P/E
Austria	ATX Index	1013.43	1011.25	1047.84	1626.56 28/5/98	982.06 1/10/98		
India	BSE Sens.	3309.15	3297.88					
	Crisil 500	684.04	686.89					

Volatile trading as investors squared positions ahead of market holiday today.

Country	Index	Jan 25	Jan 22
Indonesia	Jakarta Comp.	392.47	(u)
Ireland	ISEQ Overall	5254.70	5200.59

THE NASDAQ-AMEX MARKET GROUP

4 pm close January 25

AMEX

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EASDAQ

STOCK MARKETS

Currency and labour woes scare off investors

WORLD OVERVIEW

Global equity investors, faced with mounting currency uncertainty in Latin America and Asia and the prospect of labour unrest in Germany, mostly stood back and took stock yesterday, *writes Jeffrey Brown.*

A suggestion in an official Chinese newspaper that a devaluation or a float of the renminbi "may not be a bad thing" further soured the mood in Asia, where a number of share markets have recently shown signs of severe strain.

Around 11 per cent at the start of the year, the 12-month implied yield on non-deliverable renminbi climbed closer to 16 per cent yesterday.

Shares in Hong Kong lurched lower, racking up a three-day decline of 8.2 per cent. Over the same period, Seoul has tumbled almost 13 per cent.

China's central bank was quick to dismiss the report as "a private view", but few investors took comfort from the statement. In Hong Kong, where shares at one stage touched a three-month low, money market rates moved higher.

The reaction in Europe to the latest Asian shakeout was subdued, although a steady start on Wall Street allowed early losses to be pared. Most markets traded narrowly in dull volumes. Amsterdam added 1.3 per cent, but Frankfurt ended in negative territory.

The prospect of industrial unrest partly explained the weak trend in Germany with IG Metall, the largest union, on collision course with employers over pay.

With the union seeking 6.5 per cent and employers offering 2 per cent plus 0.5 per cent on a one-off basis, the gulf between the two sides is unusually wide by German standards.

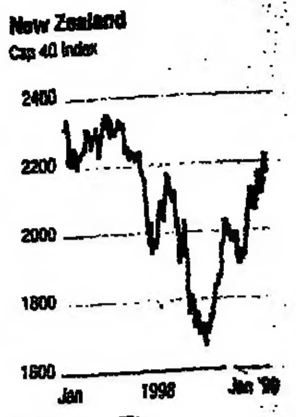
Whatever the eventual outcome – and best bets among analysts at this stage point to a possible 3.5 per cent settlement or more than three times inflation – it is clear that the squeeze on German corporate profits as a result of a slowing economy is going to be exacerbated.

In the circumstances, it is little wonder trading volumes in Europe are dull. The latest monthly figures from BT Alex Brown put flesh on the anecdotal evidence about shrinking turnover: European domestic volumes fell 3 per cent in December and international volumes almost 15 per cent.

Even allowing for early book-squaring ahead of the introduction of the euro, the trend was hesitant and has stayed so in January. According to James Cornish, European strategist at BT Alex Brown, this reflects mistrust of market strength at a time of increasing economic weakness.

MARKET FOCUS

Rate cut proves NZ turning point



Source: Datastream/ICV

Increasing evidence that New Zealand is enjoying a happy combination of low inflation and stronger growth has seen the stock market stage a strong recovery in recent weeks.

The market hit a five-year low of 1,668.24 on October 2, but soared 551.38 to a new year high of 2,219.62 on January 20. The market has pulled back 50 points since, but this has been put down to profit-taking and a reaction to falls on Wall Street.

The surge in the market, coupled with positive economic data, has seen heightened offshore interest. This was evident yesterday when turnover was bolstered by overseas dealing in spite of a public holiday in Wellington, the main financial centre.

Many stocks have doubled in value or better since October when prices slumped amid signs of a worsening domestic recession, political problems, lack of growth and low business confidence.

In mid-December the Reserve Bank took a gloomy view on the economy and announced a major easing of monetary policy. This led to further falls in interest rates while the exchange rate remained low.

The bank's statement proved a turning point. Within days, positive data began to emerge, much of it flowing from signs that the lower exchange rate was helping exporters.

An unexpectedly strong 0.7 per cent lift in gross domestic product in the three months to September 30 has been followed by preliminary data suggesting the economy grew at the same rate in the December quarter. Latest retail figures, house sales and rising numbers of job advertisements all suggest solid growth.

Inflation seems beaten, with the consumer price index falling to minus 0.8 per cent in the December quarter, its biggest fall in 42 years and much greater than expected. November trade figures were much better than forecast. The treasury announced that tax revenues and its books were in better shape than predicted.

The Bank of New Zealand yesterday predicted inflation would stay down. "Such a prospect in an economy gaining upward momentum is a euphoric combination," it said. "The closest parallel was in 1992, which was marked by falling interest rates and a sharply rising equity market."

The brighter economic news coincided with mounting enthusiasm for shares by private investors. Initially this was driven by a halving in bank deposit rates from around 9 per cent to 4.5 per cent, encouraging investors to seek better returns.

With many shares offering yields of 9 to 12 per cent, a large pool of money has been switched back to equities. Capital gains of more than 40 per cent for heavyweights such as Fletcher Forest have added to the excitement.

Interest in telecommunication stocks – Telecom New Zealand and Australia's Telstra – has further buoyed enthusiasm. Offshore interest in Telecom saw it gain NZ$2 from its October low to a high of NZ$9.37 last week, although it slipped back to NZ$9.07 yesterday.

Terry Hall

Nasdaq rises on Microsoft share split

AMERICAS

A share split by Microsoft helped the Nasdaq composite to post a small gain yesterday morning, shrugging off a broader decline on Wall Street, *writes Richard Waters in New York.*

The generally cautious mood continued to reflect concerns about corporate earnings, as a number of companies in the Dow Jones Industrial Average reported their fourth-quarter results.

By early afternoon, the Nasdaq was up 5.28 at 2,344.16 while the Dow Jones Industrial Average was 23.43 lower at 9,097.24 and the Standard & Poor's 500 was 1.42 lower at 1,223.77.

News of Microsoft's two-for-one split helped to lift the shares by 5\frac{5}{16}$ or 3.4 per cent to 161\frac{5}{16}$. Some other large-capitalisation Nasdaq companies slipped, however, with Intel down $1⅛ at $127 and Cisco falling 2\frac{1}{16}$ to $100⅝.

International Business Machines, whose disappointing fourth-quarter earnings last week had prompted a sharp fall in the stock, lost another $3¼ to trade at $176⅝. IBM was one of several Dow stocks to fall despite meeting earnings expectations. Others reporting yesterday included AT&T, which fell 1\frac{15}{16}$ to 86\frac{1}{16}$, Procter & Gamble, which declined $1¼ to 84\frac{1}{16}$, and Union Carbide, which was off $$\frac{3}{16}$ at 42\frac{3}{16}$.

The biggest fall in the Dow came from Merck, which reported a setback in the development of a promising new anti-depressant treatment. The pharmaceutical group's shares fell $7¼ or 5.2 per cent to $135½. Other drug companies also fell, continuing a decline that has been noticeable since the start of the year. Warner-Lambert dropped 1\frac{7}{16}$ to 66⅝ despite meeting earnings expectations.

Two bright spots on the earnings front were Citicorp and 3M, both of which rose as they beat Wall Street's targets. Citi climbed 1\frac{5}{16}$ to 52\frac{15}{16}$ and 3M $5½ to 76\frac{15}{16}$.

The shares of local telephone companies, which outperformed the rest of the telecoms sector last year, fell again yesterday on a Supreme Court ruling that appeared to favour the long-distance competitors. The court ruling, which could speed the opening of local markets to competition, prompted a 2\frac{11}{16}$ fall at Bell Atlantic to $56 and a $1 decline at SBC Communications to $55⅝.

TORONTO gave up early gains to trade flat at midsession with investors still cautious about equities while concerns about Brazil and the Real remained unresolved.

By midsession, the TSE-300 composite index was 0.41 easier at 6,593.50 in volume of just 22m shares. Of the 14 sub-groups, eight were positive in morning trade, led by the gold and precious metals sub-index on the back of gains in the bullion price.

Base metals miner Boliden sank 80 cents to a 52-week low of C$2.70 after major shareholder Trelleborg said it would distribute it 42.9 per cent stake to shareholders as part of a drive to focus on core activities.

UBS caution pleases Zurich

EUROPE

Wall Street's mid-morning rebound, together with a stronger dollar and a late recovery in index heavyweights, enabled **ZURICH** to recover its poise. By the close, the SMI index was 39.8 higher, near its best for the day, at 7,076.2.

UBS was at the centre of attention as the bank cautioned on the outlook for profits for 2002, after reducing exposure to high-risk emerging markets and the volatile global securities business.

The statement came ahead of a meeting with analysts and major shareholders. The shares picked up from a low of SFr419 to close SFr2 higher at SFr432.

Dealers noted the bank said the market would have to wait for details about the future of its 25 per cent stake in Swiss Life. A rumour last week suggested Swiss Life was about to buy back the stake, leaving UBS with the cash to implement a share buyback of its own. Swiss Life lost SFr9 to SFr1,030.

The FTSE Eurotop 300 index rose 6.15 or 0.52 per cent to 1,186.50. See Euro Prices page.

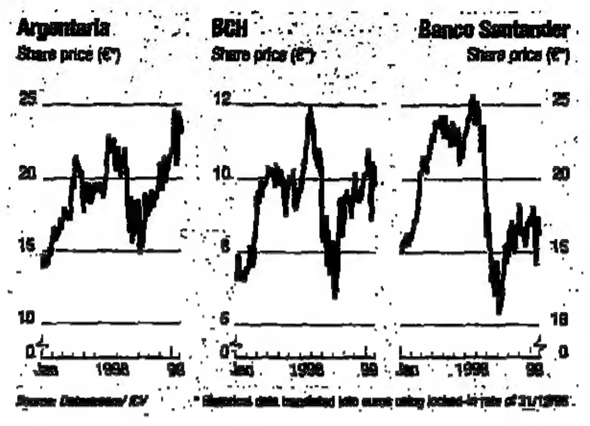
Novartis registered added SFr10 to SFr2,665 and Nestlé gained SFr29 to SFr2,619.

Cement group Holderbank, under pressure recently because of its exposure to Latin America, rebounded SFr85 to SFr1,492.

FRANKFURT recouped much of an early 2 per cent fall, helped by a neutral start of Wall Street. By the close, the Xetra Dax index was 19.62 lower at 4,988.59.

Speciality chemicals and metals group Degussa tumbled €3.35 or 8.1 per cent to €37.85 after reporting a 9 per cent fall in first-quarter pre-tax profits and disclosing it was the subject of a second Holocaust-related class action lawsuit.

While the company said that, in spite of difficult market conditions, it expected good full-year figures, the three-month results brought a downgrade from WGZ Bank "as a result of poorer expectations for the sector".



Source: Datastream/ICV * Historical data translated into euros using locked-in rate of 31/12/98.

Software producer SAP staged a technical rebound, putting on €17 or 5.4 per cent to €334 after recent falls and ahead of final 1998 results due today.

Earlier this month, SAP reported worse-than-expected preliminary 1998 results, which sent its shares sharply lower.

Industrial giant Siemens recouped €1.80 to €59.60 after Friday's sharp fall when the company said sales would slow in the remainder of its 1998-99 business year.

PARIS pared early losses to close with the CAC 40 index above 4,000. The benchmark ended up 31.47 at 4,050.80 in dull volumes after touching a low for the session of 3,972.62.

Cap Gemini stayed in favour, adding €6.90 at €157 for a three-day gain of almost 13 per cent following last week's strong profits statement.

Motor components group Valeo also benefited from recent solid results, adding €3.50 at €72.50. In oils, Elf Aquitaine jumped €4.90 or 5.2 per cent to €100.

Sodexho Alliance came off €9.30 at €164 after a local broker downgraded the catering group.

AMSTERDAM rallied, adding 6.63 at 525.36 on the AEX index following solid gains for a number of international stocks, notably Unilever and Philips.

The former, hit lately by news of shrinking operating margins at Swiss food rival Nestlé, gained €1.60 to €65.30, while Philips rose €2.25 or 3.4 per cent to €67.75 on talk of a possible bid for the group's medical division.

MADRID rallied from early losses as gains by utilities helped outweigh losses among banks.

Endesa, the privatised power group, benefited from a positive response to its bid for Enersis, the Chilean electricity group. Endesa shares closed 56 cents or 2.3 per cent higher at €24.86.

The Spanish group, which already owns about 32 per cent of Enersis, wants to buy a further 32 per cent through a $1.45bn share buy option. Endesa wants to use Enersis as a vehicle to expand throughout Latin America.

Banco Santander and BCH, which plan to merge, both recovered from early weakness. BCH rose 15 cents or 1.5 per cent to €10; Santander ended 5 cents or 0.3 per cent lower at €16.35.

Argentaria, seen as a bid target as the banking sector consolidates, shed €1 or 4.2 per cent at €22.90. The general index ended 4.19 or 0.5 per cent higher at 856.75.

MILAN finished lower despite a strong performance by internet-related stocks.

Olivetti, the computer and telecommunications group, was the most heavily traded stock on a quiet day. It ended 7.2 cents or 2.3 per cent higher at €3.161.

Mediaset, the television group, gained 34.6 cents or 4.4 per cent to reach €8.266. The stock has recently been upgraded by Deutsche Bank and Goldman Sachs.

Other stocks benefiting from internet connections included Class Editori, the media company, and Cofide, the holding group. Both companies were suspended limit up, with Class Editori finishing €1.237 or 24.1 per cent up at €6.375 and Cofide closing 4.65 cents or 9.4 per cent higher at 54.18 cents.

The Mibtel index ended 57 or 0.2 per cent down at 22,957.

Written and edited by Michael Morgan, Michael Peel, Peter Hall and Paul Gregan

Santiago rockets 7% after suspension lifted

SANTIAGO soared after the resumption of trading in power stocks Enersis and Endesa Chile.

The benchmark IPSA index was 6.62 or 7 per cent higher at 100.78 at midsession soon after the stock exchange watchdog lifted the trading suspension on the power holding group and generating company.

Both stocks were suspended on Friday for a board meeting of Spain's Endesa, which holds about 32 per cent of Enersis.

Endesa subsequently announced a share purchase offer for another 32 per cent of Enersis.

Enersis' local shares traded up 40 per cent to 275 pesos while Endesa Chile put on 22 per cent to 175 pesos.

● São Paulo was closed for a public holiday.

Jo'burg cautious after killings

SOUTH AFRICA

Johannesburg was able to recoup most of the day's early losses, helped by better-than-expected December trade data.

However, dealers said the mood remained cautious, with investors rattled by fresh political killings ahead of the general election, and wary over the outlook for global markets.

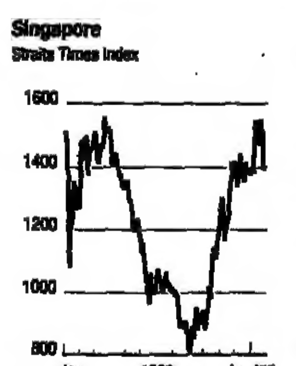
The overall index finished 8.7 weaker at 5,580.9 and industrials lost 34.7 to 6,447.3. Golds eased 0.7 to 937.9, but financials put on 58.9 to 8,498.6.

Renminbi fears weigh on Singapore

ASIA PACIFIC

Currency concerns worsened in **SINGAPORE**. As money market rates hardened, the Straits Times index fell heavily, closing off 80.73 at 1,398.02.

Brokers said worries about a devaluation of the Chinese renminbi continued to depress sentiment after weekend remarks by the deputy prime minister heightened fears about the outlook for the Singapore economy.



Source: Datastream/ICV

The finance and construction sectors tumbled 6.3 per cent and 6.7 per cent respectively. In banks, Overseas Union lost 9.8 per cent at S$5.95 while United Overseas came off 5 per cent at S$9.7.

TOKYO was broadly flat as concern about the state of Asian markets continued to weigh on investor sentiment, *writes Gillian Tett.*

The Nikkei 225 rose 54.41 to 14,208.81, after moving between 14,076.35 and 14,251.09 during the day. The broader-based Topix index rose 1.42 to 1,098.71.

Main section volume reached only 390m shares, down from Friday's 525m. Gainers outnumbered losers 691 to 433, while 173 issues closed unchanged.

The motor sector performed relatively well, as investors reacted positively to continued speculation about the future of Nissan Motor. Nissan closed at Y449, Y19 up on the day, after DaimlerChrysler reported it had started tie-up talks. Honda Motor closed up Y60 at Y4,050 and Mazda Motor rose Y7 to Y455. However, Toyota Motor fell Y15 to Y2,830.

HONG KONG tumbled as fresh worries about a Chinese devaluation rocked the market and drove interbank interest rates higher. The Hang Seng index lost 239.02 to 9,499.50 after hitting a low of 9,316.05.

Declining issues outpaced advances 354 to 140 and turnover was HK$6.1bn.

Brokers said market sentiment was badly hurt by a report in Sunday's official China Daily Business Weekly that a devaluation or floating of the renminbi might not be a bad thing.

Analysts in China later said the report probably did not reflect official policy, but the jitters sent interbank interest rates sharply higher.

In the rate-sensitive banking sector, HSBC dropped HK$4.50 or 2.3 per cent to HK$192.50 and Hang Seng Bank lost HK$3 or 4.4 per cent to HK$64.75.

JAKARTA dropped to its lowest levels in almost two months, hit by regional gloom and concerns about domestic political stability. The composite index ended 19.92 lower at 382.48.

Large-caps were among the hardest hit, with Indah Kiat dropping 16.7 per cent to Rp2,000 and Indofood diving 15.6 per cent to Rp4,050.

Gudang Garam was the only gainer on speculation the company had already bought a large amount of dollars from the market. It rose Rp425 to Rp10,300.

BANGKOK fell 13.12 to 363.36 on the SET index. Selling was across the board, although trading volumes weakened with turnover shrinking to Bt3.9bn.

Property, off 6.6 per cent, led the way down, followed closely by the banks. Krung Thai Bank fell Bt1.50 to Bt16.45 and Bangkok Bank Bt2.25 to Bt49.75.

MANILA plummeted more than 5 per cent, reacting nervously to Wall Street's weakness on Friday and worries about the level of debt at Pilipino Telephone.

The composite index closed 110.90 or 5.4 per cent lower at 1,951.44 after a newspaper report suggested Piltel would default.

Piltel's chief financial adviser said the company's creditors had not yet declared it in default. Piltel shares slumped 36 centavos or 15 per cent to 2.04 pesos.

TAIPEI suffered from worries about the possibility of a currency devaluation in China. The weighted index finished 195.74 or 3.1 per cent down at 6,033.21.

The electronics index fell 3.9 per cent. Taiwan Semiconductor shed T$2.50 or 3 per cent to end at T$80.50.

THE DAY'S CHANGES

	% Change
Singapore	-5.5
Manila	-5.4
Jakarta	-5.0
Bangkok	-3.5
Taiwan	-3.2
Hong Kong	-2.5
Seoul	-2.0
Kuala Lumpur	-1.4

هكذا من الاصل